volaris

Just getting **started...**

2022 Integrated Annual Report

In a year of constant challenges... **new windows open** for those who act with flexibility, resilience, and commitment. At Volaris we look at things from different perspectives and **generate opportunities in the face of every challenge.**

In 2022, we emerged stronger, solidifying our market leadership in Mexico, and setting new goals to continue flying high, because for Volaris...

this is just the beginning.

Table of Contents

A Message from Our CEO

GRI 2-22

To Our Stakeholders:

On behalf of our entire Volaris Family, I am delighted to present our 2022 Integrated Annual Report. I am proud that 2022 was another successful growth year for the Company. In 2022, we transported over 31 million passengers, our best, across 197 routes. In addition, we drove our total operating revenue to a new high of more than U.S. $2.8 billion, a 29% increase vs. our former record in 2021. This growth was due to the carefully managed expansion of our network along with first-time flyers and loyal passengers that we helped unite with friends and families across our markets safely, quickly, and affordably on each flight. As a result, in 2022, we solidified our position as the domestic market leader in Mexico by passengers flown and our status as one of the largest Latin American foreign operators in the U.S.

While these results were outstanding, what is most gratifying to me is how Volaris continues to empower individuals and communities through access to affordable travel. I have been honored to serve as CEO since the Company was founded in 2006, and from the beginning, our mission has not changed: **With the best people and at a low cost, we enable more people to travel well.** I am confident that our solid performance in 2022 and future years is directly linked to our team's relentless focus on delivering the vision of widespread, accessible, and sustainable air travel.

> By offering more people safe and ultra-low-cost air travel, we help them connect, build, and grow — changing themselves and their communities.

From families planning to visit after a long absence or small businesses seeking to expand into a new market, our strategy continues to lead more bus passengers to travel by air. We are here to ensure that air travel access is not in the way of our passengers' aspirations. **Volaris was founded to change and facilitate air transportation, which drives our team to succeed daily.**

Our commitment to our mission remains as strong as ever, but 2022 was challenging. Our year was more remarkable because we could grow and manage costs in a tough economic, regulatory, and political climate. Travel continued to rebound from the impact of the COVID-19 pandemic, but tourism in Mexico was still returning to pre-pandemic levels. Further, our fuel costs rose sharply as global fuel prices increased over 68% compared to 2021. Finally, all Mexican airlines continued to be impacted by the downgrade of the International Aviation Safety Assessment (IASA) safety rating from Category 1 to Category 2 applied by the U.S. Federal Aviation Administration (FAA) to the Mexican Aeronautical Authority (AFAC). Yet even under the Category 2 limitations, in 2022, Volaris grew U.S. capacity by 15% vs. 2021 and operated an average of 92 daily flights to the U.S.

> Overall, our ability to navigate these challenges was thanks to our commitment to our resilient and flexible ultra-low-cost business model.

Our success is anchored in our efforts to pursue evermore sustainable business operations by effectively managing our environmental, social, and governance (ESG) priorities.

Safety Above All

Since I first earned my pilot's license when I was 18, I have lived aviation safety. My feeling is the same today as back then: **safety is the most critical priority for any airline**, and Volaris must never stop seeking to improve our approach to safety. In 2022, we maintained our International Air Transport Association (IATA) Operational Safety Audit (IOSA) certification, which is one of the pillars of our safety program. In addition, in 2022, Volaris was once again recognized as one of the 20 safest low-cost airlines in the world by AirlineRatings.com and was the only Latin American airline to appear on this list.

Embracing the Challenge of Climate Change

The challenge of global climate change remains a top ESG topic that the airline industry must address. Recognizing this, in 2021, we set a target to reduce our carbon emissions. We used a third-party to evaluate and confirm that our goal is ambitious and impactful for both our organization and the environment and used it as a base for the issuance of a sustainability-linked bond. To further tie our financial obligations to specific environmental goals, in 2022, we closed a sustainability-linked pre-delivery aircraft financing facility. This transaction was awarded the Best Aircraft Trade Finance Deal Award 2022 by the Global Trade Review (GTR). Continuing to invest in a fleet of highly efficient aircraft is the backbone of our approach to meeting our emissions targets, and we added 16 new NEO aircraft to our fleet in 2022. With these additions, 54% of our fleet was equipped with the ultra-efficient NEO engine, and 86% of our aircrafts are fitted with fuel-saving sharklets.

Despite this progress, global supply chain challenges have created delays in aircraft delivery, preventing us from receiving new NEO aircraft as initially planned. This and other factors impacted our ability to meet our short-term emissions targets, particularly the downgrade of the IASA Program rating for Mexico from Category 1 to Category 2, which has not allowed us to incorporate our new NEO aircraft on long routes to the U.S. In the meantime, while we work closely with aircraft and engine manufacturers to overcome delivery delays, we continue to capitalize on emission reduction opportunities, including exploring investments in other new technologies, route optimization, and other fuel-saving measures such as weight reduction initiatives.

We are particularly excited about future opportunities such as sustainable aviation fuels (SAFs). In 2022, we sought partnerships with Airbus to promote the development of SAFs and therefore the ability to access them at fair prices when they come to the market. We recognize that SAFs are still in their early days, as the price is significantly higher than conventional jet fuel. Still, we feel it is an integral part of a range of technological solutions for the aviation industry to meet carbon reduction goals.

54%

of our fleet was equipped with the ultra-efficient NEO engine, and 86% of our aircrafts are fitted with fuel-saving sharklets.

Our efforts to manage our key ESG risks and opportunities earned us recognition by CAPA – Centre for Aviation in 2022 as the Latin American Environmental Sustainability Airline of the Year.

We closely monitor and respond to regulations related to climate change that may impact our business. This includes the Carbon Offset and Reduction Scheme for International Aviation (CORSIA) of the International Civil Aviation Organization (ICAO). While not all aspects of CORSIA are final, in 2022, we continued to prepare for the impact of CORSIA to position us to be ready to meet its requirements and help drive positive action on climate change through this initiative.

Finally, to better demonstrate to our stakeholders how we assess and manage risks and opportunities related to climate change, in April 2023, we published our inaugural Task Force on Climate-Related Financial Disclosures (TCFD) report. We plan to build on this foundational report and enhance our associated governance, strategy, risk management process, and related disclosure.

Investing in Our People

In 2022, we hired more than 139 pilots and 475 flight attendants, providing Volaris with a strong pipeline of technical personnel to support our fleet and growth plans for upcoming years. Volaris' success depends, among others, on our ability to attract and retain the best talent. We continue to foster an inclusive working environment that offers opportunities for professional growth for our Ambassadors. We also expanded our learning and development opportunities, including our Pilot Scholarship Program and our *Semillero de Talento* (talent incubator), to recruit young professionals and offer them a career path that will enable them to become future leaders at Volaris. We are excited to extend the Pilot Scholarship to 27 of our Ambassadors, including 15 women.

We promote equity and inclusion. We remain committed to IATA's 25by2025 initiative, which aims to increase the number of women in senior positions and underrepresented areas, such as pilots, technical staff, and STEM (science, technology, engineering, and math) positions, by 25% by 2025. Since making this commitment in 2021, we have increased the number of women in underrepresented areas and senior positions at Volaris by 11% and 18%, respectively.

By the end of 2022, women held 41% of leadership roles at Volaris.

Finally, in response to the COVID-19 pandemic, we continued to invest in employee health and well-being. In 2022, we provided more than 80,000 COVID-19 and flu tests to our Ambassadors. We also provided over 3,000 flu vaccines to Ambassadors and their families and provided a new digital platform offering 24/7 medical appointments across different specialties. The COVID-19 prevention campaign has successfully safeguarded our Ambassadors' health. I am glad to report that, despite the severity of the pandemic, not a single life was lost due to COVID-19 among our Ambassadors during these past three years.

Extending Our Community Support

In 2022, we continued to harness the power of our fleet to support our communities. For example, with our Avión Ayuda Volaris program, we have utilized our aircraft to aid communities in crisis, including those affected by natural disasters and other emergencies. Through this program, in 2022, we were proud to transport more than five tons of humanitarian cargo free of charge, including food, personal care items, and rainwater harvesting systems, to Mexican communities in need. In addition, we provided free transportation to more than 150 volunteers and 125 organs/tissue for transplant purposes.

Enhancing Sustainability Oversight

Our commitment to sustainability is aligned with our mission and strategy. As a result, we recently strengthened our approach to ESG, starting with our Board of Directors. To enhance the Board's ability to effectively oversee our ESG strategy and performance, in April 2023, we split the Audit and Corporate Governance Committee into two separate committees. As a result, the newly dedicated Corporate Governance Committee will have additional time and resources to oversee our ESG efforts.

We are honored that our efforts to manage our key ESG risks and opportunities earned us recognition by CAPA – Centre for Aviation in 2022 as the Latin American Environmental Sustainability Airline of the Year. We also were included in the Dow Jones Sustainability MILA Pacific Alliance Index for the third consecutive year, in the S&P/BMV Total Mexico ESG Index for the second straight year, and, for the first time, in the FTSE4Good Index, putting us on shortlists for sustainable equity investment globally.

Looking Ahead

As we chart a course for the future, I am excited by the outlook for our business. Our home market remains a healthy, emerging economy with low air travel penetration, an attractive demographic profile, and a geography ideally suited for aviation. Volaris' ultra-low-cost model particularly appeals to the Visiting Friends and Relatives (VFR) market. In addition, Mexico has a sizable bus switching potential; converting just 1% of Mexican inter-city bus travelers to air travel would yield over 30 million additional air passengers. The Mexico-U.S. commercial relationship is also on the rise, and we are already a key player in the largest cross-border market in the world.

Beyond our core market in Mexico and Central America, Volaris is poised to replicate our success in the emerging South American market. Our Air Operator Certificates in Costa Rica and El Salvador greatly expand our network reach and allow us to serve the waves of mobility expected between the U.S. and Mexico, Central America, and South America for years to come.

Combined and underpinned by our ESG efforts, these factors provide Volaris with a clear path to continued profitable growth in the ultra-low-cost market. By 2025, we aim to achieve our "trifecta" goal of doubling our revenue, EBITDAR, and free cash flow versus pre-pandemic (2019) levels[1].

In Closing

I began by emphasizing the enduring power of our mission and how our team's passion for delivering this vision continues to propel our success. By providing safe transportation with a focus on sustainability and low fares, we are helping to develop our regional economy and communities.

> Finally, I want to close by once again recognizing and offering my gratitude to all our Ambassadors, each of whom has helped make the Company successful today.

Because of their leadership and dedication to one another and our customers, I am confident Volaris will continue to be a leader in ultra-low-cost aviation, empowering our passengers to take flight in our cabins and beyond.

Sincerely,

Enrique J. Beltranena M.
President and Chief Executive Officer

[1] This is a goal/target and is forward-looking, subject to significant, business, economic, regulatory, and competitive uncertainties, and contingencies, many of which are beyond the control of the Company and its management and is based upon assumptions concerning future decisions, which are subject to change. Actual results will vary, and those variations may be material.

2022 Highlights

Environmental Performance

Latin American Environmental Sustainability Airline of the Year Award by CAPA.

69.9 million gallons of fuel saved[3].

[3] Using NEO engine in 2022 vs. 2015.

Reduced by 15.7%[4] (gCO_2/RPK) Scope 1 aircraft CO_2 emissions intensity.

[4] From a 2015 baseline. Scope 1 aircraft CO_2 emissions intensity (gCO_2/RPK) includes flight operations and land operations (use of APU).

117 aircraft; 54% with NEO engine and **86%** with sharklets.

One of the youngest fleets in the Americas. **5.4 years** average aircraft age.

Published inaugural **TCFD Report[7].**

[7] TCFD Report published in April 2023.

ISO 9001 and 14001 certifications[8].

[8] For applicable environmental programs.

Social Performance

Zero aviation accidents.

IATA's IOSA Certification in Mexico and Costa Rica.

Increased the number of women workforce[5]:

- Underrepresented areas **11%.**
- Senior positions **18%.**

[5] Compared versus 2021.

7,364 Ambassadors; **47%** women and **53%** men.

13th consecutive year awarded as ESR by CEMEFI.

No significant sanctions or fines related to non-compliance with environmental legislation.

5+ tons of humanitarian aid, **150** volunteers, and **125** organs/tissue for transplant purposes transported.

Economic and Corporate Governance Performance

Over **31 million passengers** transported.

Mexican domestic market share leader.

One of the **largest foreign operators** in the U.S.[2]

[2] We are the second largest foreign carrier operating to/from the U.S. in terms of number of flights.

14 new routes and **one new country:** Peru[6].

[6] Closing the year with 197 routes and 71 destinations.

45% of our routes compete only against buses.

1st year in the FTSE4Good Index.

Managed costs and drove **operating profitability** in a highly adverse environment.

Any breaches or leaks of our customers' personal data identified.

14% of women on our Board of Directors.

2nd consecutive year in the S&P/BMV Total Mexico ESG Index

U.S. $2,847 million total operating revenue.

U.S. $1,186 million in revenue from additional services.

6,105 hours of Ambassador training on human rights.

3rd consecutive year as a member of the DJSI MILA Pacific Alliance Index.

U.S. $586 million EBITDAR.

U.S. $453 million free cash flow.

About This Report

GRI 2-2, 2-3, 2-4, 2-5, 2-14

Welcome to Volaris' 2022 Integrated Annual Report

Our 2022 Integrated Annual Report (“IAR” or “the Report”) is designed to provide an accurate and balanced summary of our business strategy, performance, and outlook as they relate to Volaris’ financial and non-financial results, such as material[9] environmental, social, and governance (ESG) topics.

[9] Please note that, as used in this Report, the term “material” refers to the relevance and significance of ESG factors to our various stakeholders and incorporates various considerations which may go beyond the definition of financial materiality as defined in international financial reporting standards. For more information on this and other important disclaimers please see the section of this report titled “Notes About This Report”.

Reporting Approach

Our 2022 IAR is written with reference to the <IR> Framework of the International Integrated Reporting Council (IIRC). As a part of this approach, we discuss the six types of capital through which we drive business growth and transformation:

- Financial.
- Intellectual.
- Social and Relationship.
- Manufactured[10].
- Human.
- Natural.

More information on these capitals is contained in our Value Creation Model on page 18.

The IAR has also been prepared in accordance with the Global Reporting Initiative’s Universal Standards 2021 (GRI) and includes the recommended SASB disclosures for the airline industry. Throughout the Report, we also have identified and referenced the United Nations Sustainable Development Goals (UN SDGs) that we believe are supported by our business activities. For ease of reference, we specify the codes for the GRI, and SASB, applicable to each section of the Report, while full reporting indexes are in the Appendix.

Finally, the Report also incorporates elements of our inaugural response to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Our full 2022 TCFD Report can be found on our website.

Full 2022 TCFD report

Scope and Boundary

The Report includes material information on Volaris’ performance for the period between January 1 to December 31, 2022, unless otherwise indicated.

The information presented in the Report corresponds to our operations in the countries where we have a presence, including Mexico, the United States, and Central and South American countries.

In some cases, the financial information is reported differently from that reported in the audited financial statements for the fiscal year ended December 31, 2022, in terms of layout and not in terms of substance. We suggest reviewing the Consolidated Financial Statements 2022.

Volaris is committed to transparency, and as such, we have also included certain restatements of previous years data to increase accuracy and ensure clarity. Further information on restated data is noted in footnotes throughout the Report. We continue to enhance our internal data collection and compilation year-over-year and strive to report accurate information in this Report.

[10] Volaris defines manufactured capital as the equipment (primarily our aircraft fleet) we use for the provision of travel service.

Assurance

The Report has been internally reviewed by our Senior Management and Corporate Governance Committee and approved by our Board of Directors. In addition, the external firm EY (Mancera, S.C.) verified some of our non-financial indicators included in the Report and issued an Independent Limited Assurance Report. The external firm KPMG (KPMG Cárdenas Dosal, S.C.) issued an unqualified opinion related to our Consolidated Financial Statements for the fiscal years ended December 31, 2022 and 2021. The external firm EY (Mancera, S.C.) issued an unqualified opinion related to our Consolidated Financial Statements for the fiscal year ended December 31, 2020. External assurance statements are in the Appendix.

This is just the beginning...

to continue growing with **leadership**

01 We Are Volaris

GRI

2-1, 2-6, 2-13, 2-24, 3-3

SASB

TR-AL-000.E
TR-AL-000.F

197 routes

31+ million flown passengers

117 aircrafts

GRI

2-1

SASB

TR-AL-000.E
TR-AL-000.F

We Are Volaris

Controladora Vuela Compañía de Aviación, S.A.B. de C.V., better known as Volaris, is an ultra-low-cost carrier with point-to-point operations in Mexico, Costa Rica, and El Salvador, serving Mexico, the United States, Central America, and South America. At Volaris, we focus on passengers Visiting Friends and Relatives (VFR), price-conscious business travelers, and leisure travelers.

> As part of this strategy, we offer low base fares to build our market, providing quality service and extensive customer choice.

Volaris is dual-listed on the Mexican Stock Exchange (BMV: VOLAR) and on the New York Stock Exchange (NYSE: VLRS) with American Depositary Shares (ADS) Level III Reporting. Volaris is headquartered in Mexico City, Mexico.

In 2022, we offered our customers 197 routes, 119 domestic and 78 international, in our point-to-point network. We operated in 71 airports, 43 domestic and 28 international. This includes popular destinations, such as Cancun, Guadalajara, Mexico City, Monterrey, and Tijuana, as well as 22 cities in the U.S. with large Hispanic heritage communities. We also serve four destinations in Central America and two in South America.

Volaris by the numbers in 2022

U.S. $2,847
million total operating revenue

71
destinations

7,364
Ambassadors

197
routes

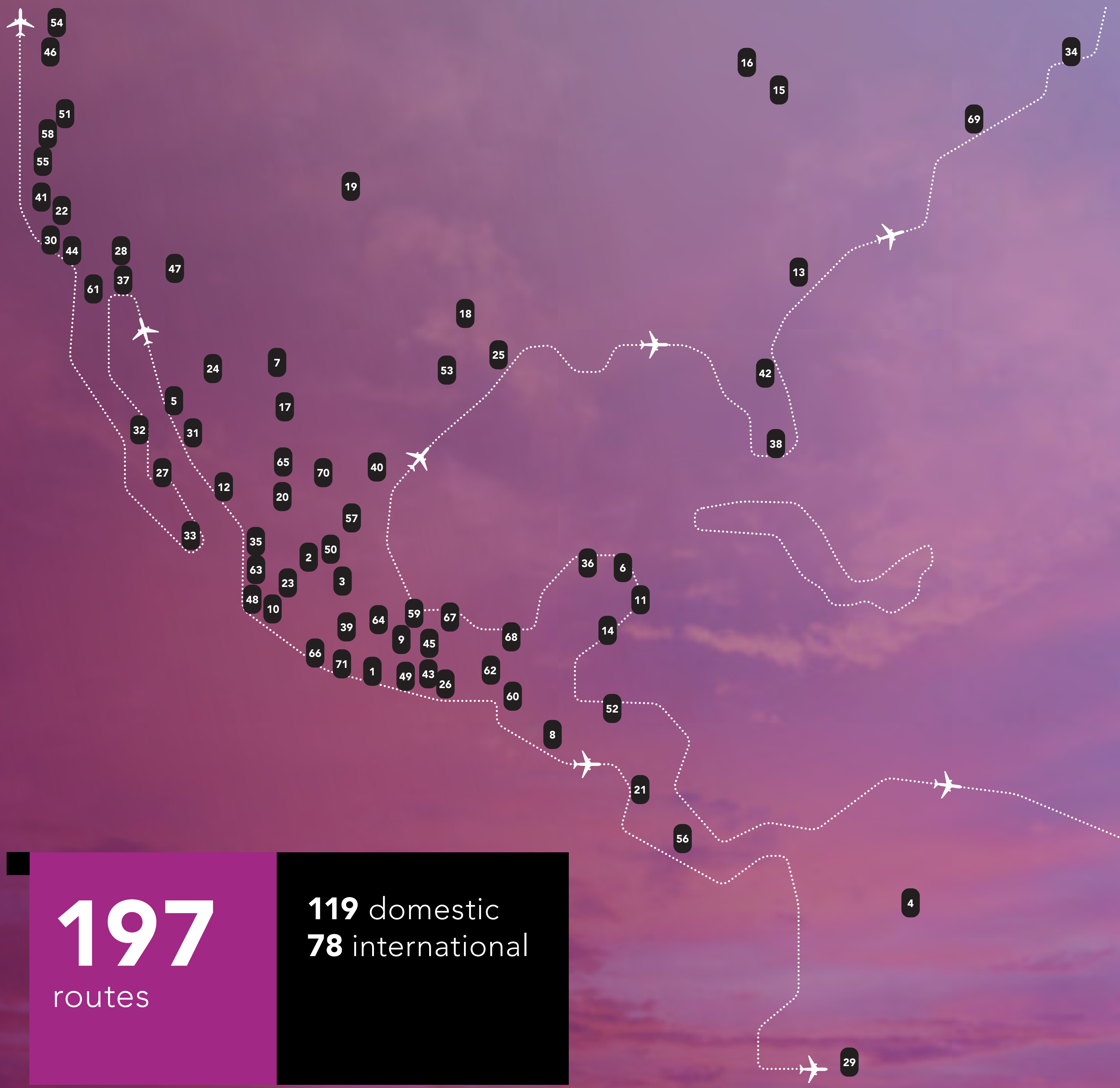
31+
million flown passengers

117
aircrafts

5.4
years average fleet age

GRI
2-1

SASB
TR-AL-000.E
TR-AL-000.F



Destinations map 2022

1	Acapulco	25	Houston	49	Puerto Escondido
2	Aguascalientes	26	Huatulco	50	Queretaro
3	Bajio	27	La Paz	51	Reno
4	Bogota	28	Las Vegas	52	San Pedro Sula
5	Ciudad Obregon	29	Lima	53	San Antonio
6	Cancun	30	Los Angeles	54	Seattle
7	Ciudad Juarez	31	Los Mochis	55	San Jose, California
8	Guatemala City	32	Loreto	56	San Jose, Costa Rica
9	Mexico City	33	Los Cabos	57	San Luis Potosi
10	Colima	34	New York	58	Sacramento
11	Cozumel	35	Mazatlan	59	Santa Lucia, Mexico City
12	Culiacan	36	Merida	60	Tapachula
13	Charlotte	37	Mexicali	61	Tijuana
14	Chetumal	38	Miami	62	Tuxtla Gutierrez
15	Chicago Midway	39	Morelia	63	Tepic
16	Chicago O'Hare	40	Monterrey	64	Toluca
17	Chihuahua	41	Oakland	65	Torreon
18	Dallas Forth Worth	42	Orlando	66	Uruapan
19	Denver	43	Oaxaca	67	Veracruz
20	Durango	44	Ontario, California	68	Villahermosa
21	El Salvador	45	Puebla	69	Washington D.C.
22	Fresno	46	Portland	70	Zacatecas
23	Guadalajara	47	Phoenix	71	Zihuatanejo
24	Hermosillo	48	Puerto Vallarta		

197 routes

119 domestic
78 international

71 airports

43 domestic
28 international

Our Mission and Pillars

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:

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

Sustained Profitability
The lowest cost always wins. Our goal is to grow steadily and maximize profits on a sustained basis, guaranteeing the growth of the Volaris Family.

Customer Service
We create new experiences that make a difference. We know how to listen and solve problems efficiently, creatively, and responsively to meet the needs of our internal and external customers.

SASB

TR-AL-000.E
TR-AL-000.F

GRI

3-3
2-6

SASB

TR-AL-000.E
TR-AL-000.F

Our Ultra-Low-Cost Business Model

Volaris is committed to making air travel more affordable for more people. Our ultra-low-cost model allows us to offer low fares to more destinations and enables our customers to tailor their travel experience (including baggage, seating, and other services) to their needs. We connect families and businesses, generating social and economic value in the countries in which we operate.

Emerging markets in Latin America have a burgeoning middle class with more discretionary travel spend, and Volaris capitalizes on this to convert travelers who have traditionally chosen bus travel for low cost and convenience.

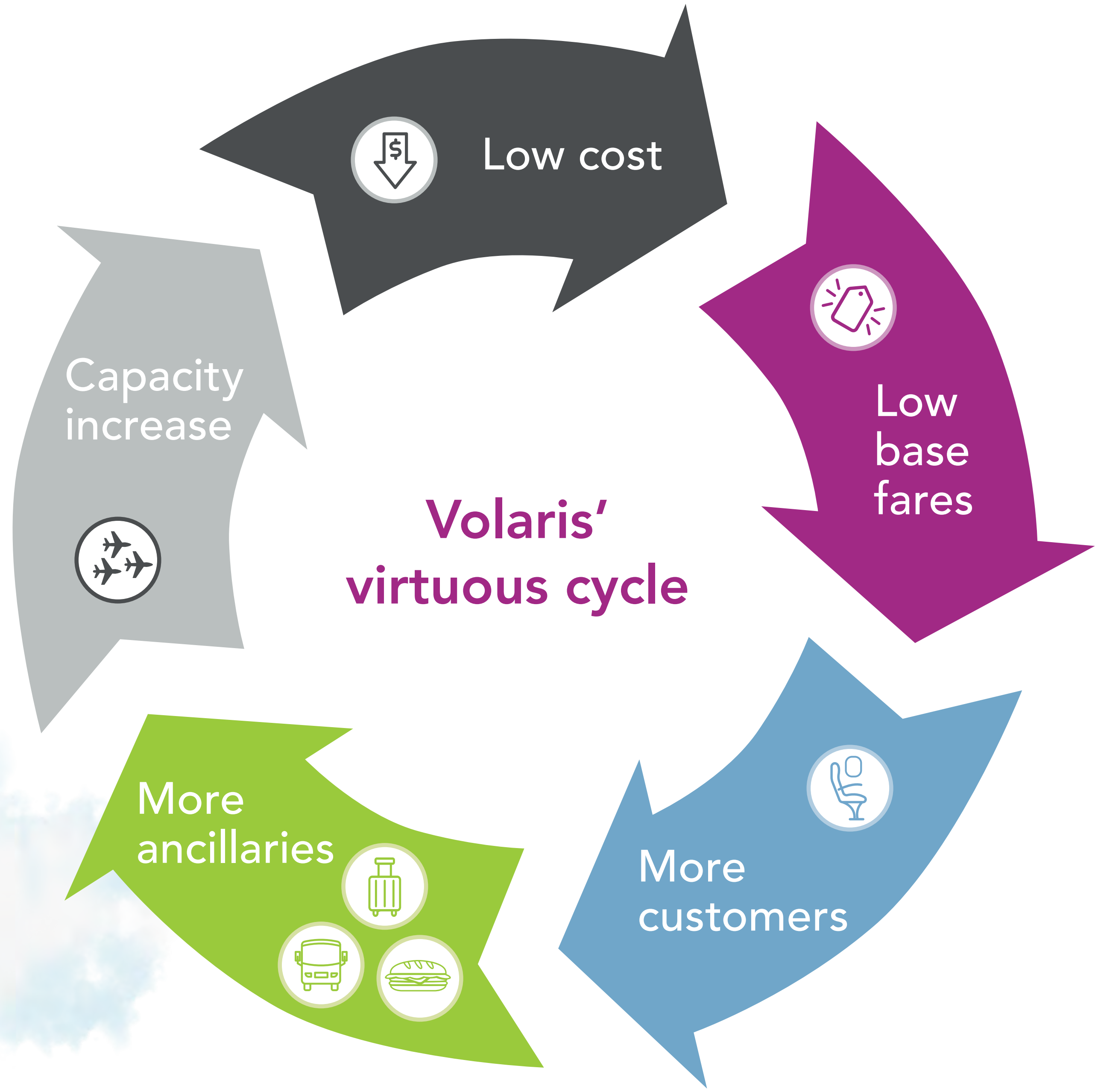
FY 2022 Total Revenue per Seat Mile (TRASM): U.S. $8.1 cents

(up from U.S. $7.9 cents in FY 2021).

FY 2022 Cost per Available Seat Mile excluding fuel (CASM ex): U.S. $4.3 cents

(up from U.S $4.2 cents in FY 2021).

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



Low cost	Low base fares	More customers	More ancillaries "You Decide"	Capacity increase
Volaris is one of the lowest-cost operators, that is publicly traded.	We seek to offer low base fares to our customers, which are essential to stimulate the market and maintain high load factors.	By offering low fares that compete with other forms of transportation, we make air travel accessible to more people.	We offer a wide range of ancillary products. This way, our customers can pay only for what they need. We have a track record of successfully increasing non-ticket revenues to complement ticket revenues.	We are focused on expanding our network by increasing our fleet and number of point-to-point routes.
FY 2022 CASM ex fuel: U.S. $4.3 cents.	**FY 2022 average base fare: U.S. $54.**	**FY 2022 flown passengers: 31+ million.**	**FY 2022 total ancillary per pax: U.S. $38.**	**FY 2022 ASM growth: 26% vs. 2021.**

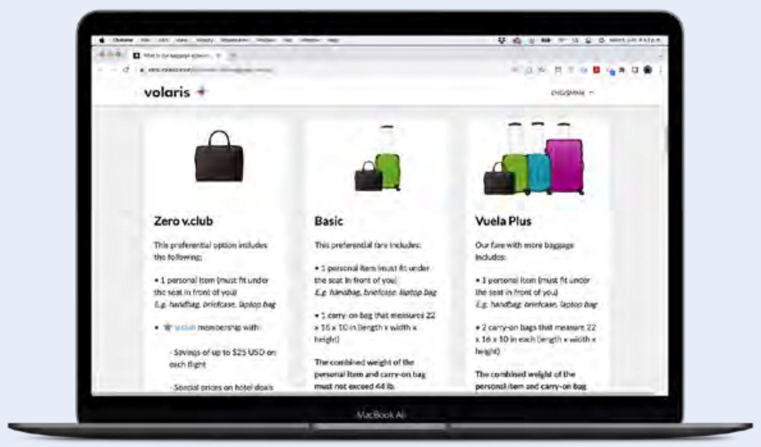
The strengths and competitive advantages of our ultra-low-cost business model are:

01 A low-cost structure, which we achieve through:

- **Efficient fleet.** We operate an efficient and one of the youngest fleets in the Americas composed of Airbus A320 family aircraft.
- **High asset utilization.** Our fleet has a high-density seating configuration and one of the world's highest average aircraft utilization rates by a publicly traded airline.
- **Distribution in direct sales channels.** We encourage our customers to purchase their flight tickets through our digital channels, which allows us to reduce costs.
- **Variable performance-based competitive compensation structure for our Ambassadors.** We reward our employees based on their contribution to our annual results, rather than their seniority.

02 Additional revenue generation:

Our "You Decide" strategy, through which our customers only pay for what they need (ancillaries), increases our non-ticket revenue.



We have a robust roadmap to achieve 50% of total operating revenues from ancillary products and services:

- **Optimize pricing** by defining the pricing of air trip-related ancillaries based on customers' willingness to pay and achieve full potential personalization.
- **Launch new products and services**, such as introducing affinity programs, offering insurance products around flexibility and health, and launching new refund products, among others.
- **Build recurring revenue streams** by growing v.pass subscriptions and building v.club membership base, among others.
- **Enhance existing products and services**, such as enforcing baggage changes at airports, improving conversion seat selection, upselling premium seats, and driving commission revenues from Ya Vas vacation packages.

GRI
2-6

SASB
TR-AL-000.E
TR-AL-000.F

Our fare families[11] are:

Domestic flights:

Zero
Travel at our lowest price.

1 personal item
Must fit under the seat in front of you (e.g. handbag, briefcase or laptop bag).
Carry-on not included.
Checked bag not included.

v.club membership
Included in this fare, you will always travel at the lowest price for one year.

Basic
Best value.

1 personal item
Must fit under the seat in front of you (e.g. handbag, briefcase or laptop bag).

1 carry-on
Maximum dimensions 22x16x10 in.
Benefits included + Basic Combo.
Checked bag not included.

Plus
Worry free.

1 personal item
Must fit under the seat in front of you (e.g. handbag, briefcase or laptop bag).

2 carry-ons
Maximum dimensions 22x16x10 in.

1 checked bag
of 55 lbs.

Priority boarding.

[11] Fare information is current as of the time of publication of this Report.

International flights:

Zero
Travel at our lowest price.

1 personal item
Must fit under the seat in front of you (e.g. handbag, briefcase or laptop bag).
Carry-on not included.
Checked bag not included.

v.club membership
Included in this fare, you will always travel at the lowest price for one year.

Basic
Best value.

1 personal item
Must fit under the seat in front of you (e.g. handbag, briefcase or laptop bag).

1 carry-on
Maximum dimensions 22x16x10 in.
Benefits included + Basic Combo.
Checked bag not included.

Plus
Worry free.

1 personal item
Must fit under the seat in front of you (e.g. handbag, briefcase or laptop bag).

1 carry-ons
Maximum dimensions 22x16x10 in.
Benefits included + Plus Combo.

1 checked bag
of 55 lbs.

Priority boarding.

GRI
2-6

SASB
TR-AL-000.E
TR-AL-000.F

GRI
2-6

SASB
TR-AL-000.E
TR-AL-000.F

03 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 those routes where we reach and maintain profitability. We also focus on routes that have been underserved or traditionally only served by buses or higher-cost carriers. Hence, Volaris is well-positioned to benefit from bus switching.

04 Operational efficiency and market-leading performance:

Aligned with our cost reduction strategy, we maintain a leading operational efficiency performance, monitoring the achievement of key indicators, such as:

1. Schedule reliability.
2. On-time performance.
3. Maintenance reliability.
4. Booked passengers.
5. ASMs.
6. Load factor.
7. Gallons of fuel consumed.
8. Ambassadors per aircraft.
9. Block hours.
10. Flown hours.

05 Financial situation (healthy balance sheet) that positions us for growth:

We have a relatively low level of debt. We believe that our strong financial position enables us to fund growth opportunities in our markets and defend our existing route network from our competitors. Around 90% of Volaris' total debt comprises lease liabilities with no exposure to increasing rates.

GRI

2-6

SASB

TR-AL-000.E
TR-AL-000.F

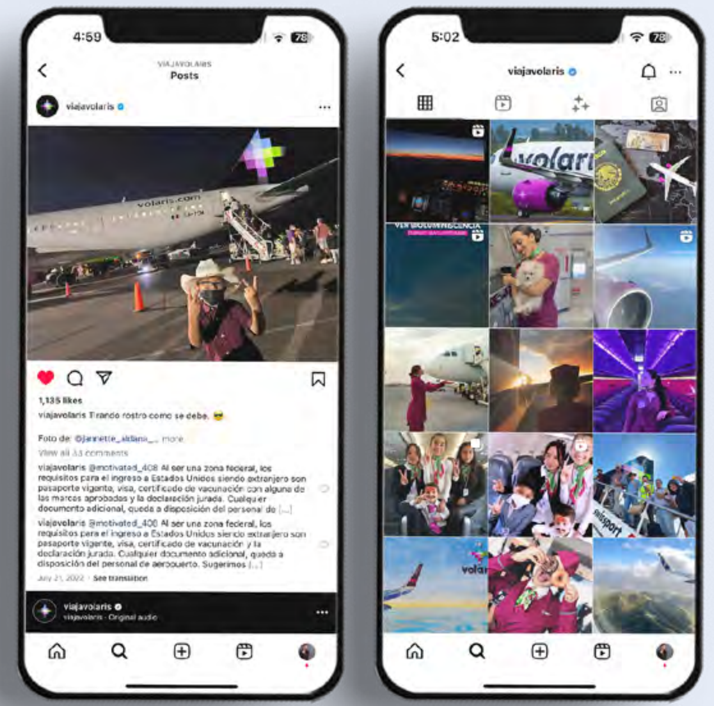
06 Primary focus on VFR travelers:

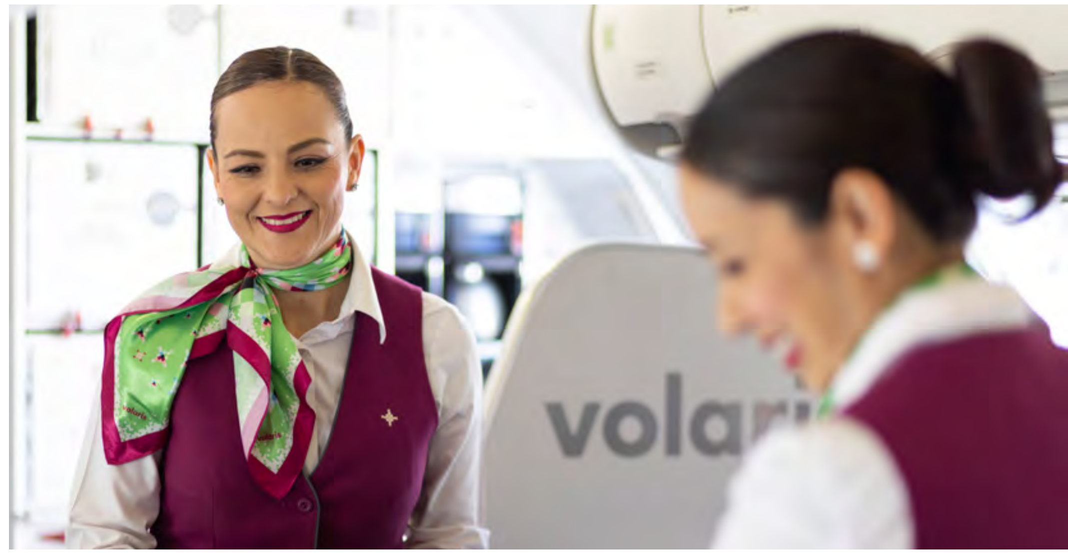
Our primary target market is travelers Visiting Friends and Relatives (VFR), price-conscious business travelers, and leisure travelers in Mexico, the U.S., Central America, and South America. We believe that these customers have the most significant growth potential in our target markets. By offering low 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 97,000 points of payment throughout Mexico, the U.S., Guatemala, El Salvador, Costa Rica, Colombia, and Peru 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 domestic and international clients who want to save on lodging expenses.

07 Brand awareness with a rapidly growing fan base:

Our brand is well known in Mexico. We have a significant presence on social networks for marketing, customer service, and promotional purposes. Since 2021, the Volaris brand has had the Declaration of Famous Trademark from the Mexican Institute of Industrial Property (IMPI).





08 Strong 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 and Senior Management comprises executives with extensive experience in their respective fields. Additionally, our major shareholders have experience with carriers and the travel industry worldwide, which has helped us develop our ultra-low-cost business model, and we have benefited from their buying power and relationships with key suppliers.

Our Corporate Sustainability Strategy

The success of our ultra-low-cost business model is anchored in our commitment to sustainable development.

Through the effective management of key ESG factors, we seek to generate sustainable long-term value for our stakeholders, including our customers, suppliers, Ambassadors, investors, authorities, unions, industry actors, and communities where we operate.

Environmental

Social

Economic and Corporate Governance

GRI

2-24

SASB

TR-AL-000.E
TR-AL-000.F

GRI

2-6
2-24

SASB

TR-AL-000.E
TR-AL-000.F

Our corporate sustainability strategy is centered on three areas:

Environmental

Through our Environmental pillar, we seek to identify and manage our climate-related risks and opportunities through a comprehensive sustainability strategy to reduce our environmental impact, protect and preserve natural resources, achieve our emissions reduction commitments, and comply with regulatory requirements.

- We aim to employ a methodical approach to reduce jet fuel consumption, conserve energy, minimize waste, and certify our operations to global environmental management standards.
- We also work to provide our customers with sustainability-focused travel experiences, including the option to offset partially their flight carbon emissions.

Social

Through our Social pillar, we aim to strengthen our commitment to the well-being of people. This includes our employees, customers, and the communities in which we operate.

- We prioritize our customers' and Ambassadors' safety, health, and rights above all.
- We seek to attract, develop, and retain talented, competent, and professional people.

Our labor practices are designed to support strong labor relationships that reinforce the well-being and personal and professional development of our Ambassadors through the Volaris Culture. To that end, we have a series of initiatives focused on promoting a violence-free workplace, fostering the necessary conditions for equal opportunities, and providing appropriate and continuous training.

- We promote equity and inclusion, adhering to commitments to increase gender equality in the Company and in the aviation industry. We train our Ambassadors to uphold human rights values and standards.
- By achieving our business's main goal, we support our communities. Our efforts to democratize aviation through our route network expansion enable first-time flyers (bus switching, who originally travel by bus) and loyal passengers to unite with friends and families safely, quickly, and affordably on each flight. Over 45% of our routes compete solely against buses.
- We invest in social programs to support the communities where we operate.
- We strive to strictly comply with the highest safety standards and all domestic and international regulations.
- We operate with a mentality that prioritizes customer service, including the implementation of data security and privacy programs to protect our customers' information.

Economic and Corporate Governance

Through our Economic and Corporate Governance pillar, we develop initiatives that allow us to reduce costs, optimize resources, increase efficiency and reliability, promote transparency and compliance, manage risks, opportunities, and crises, and keep confidential information secure.

- We also aim to maintain clear communication channels with our stakeholders, manage our corporate reputation, and influence the development of public policies that align with our corporate sustainability strategy.
- Moreover, our business values and ethics are reinforced through our anti-corruption, anti-bribery, and related policies, risk and crisis management systems, and commitment to transparency in all our processes.
- We maintain strict oversight of our supply chain, cultivating robust relationships with our suppliers and promoting the incorporation of ethical and sustainable practices throughout our value chain.

Sustainability Oversight

Volaris' Board of Directors has ultimate oversight of our corporate sustainability strategy, including our progress toward relevant ESG initiatives, goals, and targets, via the Corporate Governance Committee, which in turn oversees Volaris' Sustainability Working Group. Please refer to the "Our Committees and Working Groups" section in the *Our Corporate Governance* chapter for more information on the Sustainability Working Group's key responsibilities and members.

Our Corporate Affairs and Sustainability department provides management-level oversight of the corporate sustainability strategy. In 2022, to further enhance our oversight of this strategy, we established the Chief Corporate Affairs and Sustainability Officer (CCASO) role filled by Dionisio A. Pérez-Jácome F. (see the "Senior Management" section for more information).

The main duties of the CCASO are:

- Coordinate the implementation of the corporate sustainability strategy transversally to all areas of Volaris, previously defined by our Executive President and CEO.
- Provide updates to our Board of Directors. The CCASO reports directly to our Executive President and CEO and is also a member of the Sustainability Working Group.
- Lead the corporate sustainability team, which ensures the integration of ESG best practices into the Company's operations and processes, develops and leads non-financial reporting, establishes ESG performance indicators, and reports progress on key sustainability initiatives and goals to Senior Management.
- Establish relationships with internal and external key stakeholders.

GRI

2-13
2-24

SASB

TR-AL-000.E
TR-AL-000.F

GRI
2-24

SASB
TR-AL-000.E
TR-AL-000.F

We have established the following goals and commitments to help us track our progress in certain areas of our corporate sustainability strategy. Additional details on our progress are shared later in this Report.

Our ESG Goals

Goal	2025	2028	2030	2050
	Increase representation of women in leadership and underrepresented areas by 25% or up to a minimum of 25% by 2025, as part of IATA's 25by2025 initiative.	Utilize a fleet composed of 100% Airbus NEO aircraft and equipped with sharklets by 2028[12].	Reduce our Scope 1 aircraft CO_2 emissions intensity by 35.4%, measured in grams of CO_2 per revenue passenger kilometer (RPK) by 2030, using a 2015 baseline. This target was used for the issuance of our five-year sustainability-linked bond in 2021. In 2022, we closed a sustainability-linked pre-delivery aircraft financing facility with Santander.	Collaborate in the decarbonization of the aviation industry by 2050, as part of IATA's Fly Net Zero initiative.
Impact on Capital	**Human Capital** ■ Increasing diversity, including more experience and skill sets.	**Manufactured Capital** ■ Improving the adoption of the technology and fuel efficiency of our fleet. **Financial Capital** ■ Reducing operational costs, including jet fuel consumption.	**Natural Capital** ■ Mitigating climate change impacts. ■ Contribute to the preservation of air quality. **Financial Capital** ■ Favorable terms for capital to fuel sustainable growth.	**Natural Capital** ■ Mitigating climate change impacts. ■ Contribute to the preservation of air quality. **Manufactured Capital** ■ Improving fleet technology and fuel efficiency. ■ Collaborating to develop sustainable aviation fuels.
IAR Chapter Reference	Our Ambassadors	Our Climate Change Strategy	Our Climate Change Strategy Our Economic Performance	Our Climate Change Strategy

[12] Goal is contingent upon aircraft and engine manufacturers' delivery schedule.

This is just the beginning...

the opportunity to generate value through **ESG practices**

02 Our Commitment to Sustainable Development

GRI
2-14, 2-24, 2-26
2-28, 2-29, 3-1

Member of the Dow Jones Sustainability MILA Pacific Alliance Index.

S&P/BMV Total Mexico ESG Index

FTSE4Good Index

GRI
2-26

Our Commitment to Sustainable Development

We are committed to sustainable development to contribute to the value generation of the ultra-low-cost aviation business for our stakeholders for many years.

> Value is measured not only in financial terms but also in social and environmental impacts and associated opportunities and risks.

The benefits of our ultra-low-cost business model, for example, are measured not just by revenue but also by our non-financial actions, such as our ability to democratize air travel by offering low fares and promoting bus switching, our ability to utilize extra cargo capacity to provide humanitarian aid, or our commitment to invest in improving diversity in leadership positions.

Volaris Value Creation Model

The **Volaris Value Creation Model** is intended to show our value creation process during the period covered by this Report. This Model is organized into three sections:

1. **Capital Inputs.** We utilize these inputs (capitals) to run our business represented by the six <IR> Framework[13] capitals: Financial, Manufactured, Human, Social and Relationship, Intellectual, and Natural.
2. **Business Activities.** This is how we utilize capital inputs to create value for our stakeholders. We detail our business activities through the environmental, social, and economic and corporate governancee pillars, which are based on our corporate sustainability strategy.
3. **Outputs and Outcomes.** These highlight results, i.e., the value generated by our business activities during 2022.

[13] Based on International Integrated Reporting Council (IIRC)'s International <IR> Framework (January 2021).

The Six Capitals of the <IR> Framework

Financial
Financial resources that Volaris utilizes to carry out its business activities, including debt, equity, cash, and investments.

Manufactured
Physical assets we use to provide services, including facilities, aircraft, and equipment.

Human
Knowledge, skills, capabilities, and expertise of our employees, management, and individuals within the organization.

Social and Relationship
Relationships with stakeholders, including customers, suppliers, travel agencies, airports, regulatory authorities, and local communities.

Intellectual
Intellectual property, knowledge, and other intangible assets that contribute to Volaris' value, such as patents, software, proprietary methods, and more.

Natural
Environmental resources used to carry out our business activities, such as air, land, energy, and more.

Capital Inputs at start of 2022 → Business Activities what we did & how we did it → Outputs & Outcomes at end of 2022

Capital Inputs

Financial Capital
- Total operating revenues of **U.S. $2,200 million.**
- Net income of **U.S. $106 million.**
- Cash in balance of **U.S. $741 million.**
- Sustainability-linked bond & sustainability-linked pre-delivery aircraft financing to power growth.

Manufactured Capital
- Young highly efficient fleet of **101** Airbus A320 family aircraft.

Human Capital
- Corporate culture (Volaris Family) & labor relations.
- **6,714** Ambassadors to support expansion.
- Highly qualified Board of Directors & Senior Management.

Social & Relationship Capital
- Customer affinity.
- Leadership in industry associations.
- Investor & supplier strong relationships.
- Community engagement & philanthropy.

Intellectual Capital
- Brand identity & trademarks.
- Software & IT capabilities, including online self-service.

Natural Capital
- Energy usage (jet fuel, electricity, SAF).

Business Activities

Environmental Pillar
- Fleet renewal.
- Transition to Airbus NEO, equipped with sharklets.
- Fuel consumption optimization techniques.
- Waste management & reduction initiatives.
- Environmental Management Systems.
- Voluntary carbon emissions offsetting by our customers.

Social Pillar
- Low prices to democratize air travel.
- Talent attraction & hiring.
- Benefits, professional development & training for Ambassadors.
- Safety Management System.
- Marketing campaing & customer service.
- Community engagement.

Economic & Corporate Governance Pillar
- Ultra-low-cost business model.
- Disciplined cost management.
- Strong partnerships with suppliers, investors, regulators, & industry stakeholders.
- Aligment of business & ESG strategy.
- Ethical culture with a commitment to transparency and compliance.

Outputs & Outcomes

Financial Capital
- **U.S. $2,847 million** operating revenue, **29%** increase from FY 2021.
- **TRASM** increased **2.1%** to **U.S. $8.1 cents.**
- Net loss of **U.S. $80 million.**
- Carried a record **31+ million** passengers; domestic market leader in Mexico by passengers flown.

Manufactured Capital
- Increased fleet by **16** aircraft, with NEOs representing **54%** of our fleet.
- New aircraft delivery delays by Airbus.
- Began exploring use of SAFs.

Human Capital
- **1,675** new Ambassadors hired.
- **650** new positions created.
- **41%** of leadership are women.
- **6.3** hours or training per FTE.

Social & Relationship Capital
- Recognized as one of the safest airlines in the world by AirlineRatings.com.
- **Zero** aviation accidents.
- **21.3%** Net Promoter Score.

Intellectual Capital
- **79%** of ticket sales completed online.
- **3 million** customers diverted from call centers to digital service channels, driving cost savings.

Natural Capital
- **-15.7%** Scope 1 aircraft CO_2 emissions intensity decrease since 2015.
- **932** tons of carbon offset in 2022.
- Electricity usage increased **6.9%** since FY 2021.

Stakeholder Engagement

Active engagement with our stakeholders is central to our understanding of the impacts of our business and informs our approach to value creation. Below, we detail some of the primary ways that we engage with our stakeholders, the issues most important to them, and how we are responding to their feedback:

Stakeholders	Communication Channels	Key Issues	Response
Customers	■ Digital platforms (website, mobile app, social media) ■ Call center ■ Volaris points of sale ■ Airports ■ Inflight service and digital magazine ■ Customer experience surveys ■ Press releases and media interactions ■ Marketing campaigns ■ Annual Reports (20-F and IAR)	■ Accessibility and connectivity (route expansion) ■ Fare pricing ■ Safety and security ■ Travel experience ■ Corporate reputation ■ Data protection and privacy ■ Environmental footprint reduction	Our ultra-low-cost business model allows us to offer competitive fares and continue to expand our list of destinations. We welcome customer feedback and actively work to improve their travel experience, prioritizing their safety and security. Since 2015, we have provided our customers with the option to purchase carbon offsets to partially neutralized their carbon footprint through the #CielitoLimpio program.
Ambassadors	■ Internal communications (emails, newsletters, etc.) ■ Human Resources and Organizational Development communication channels ■ Engagement surveys ■ Volaris Ethics Line ■ Periodic reports from the Senior Management ■ Collective bargaining agreements with labor unions	■ Corporate culture (Volaris Family) ■ Business strategy and results ■ Diversity, equity, and inclusion ■ Business ethics and compliance ■ Compensation and benefits program ■ Training, professional, and personal development ■ Occupational health and safety ■ Corporate volunteering ■ Union relations ■ Environmental footprint reduction	Our Ambassadors are the backbone of Volaris. We aim to be an organization that looks after their well-being, provides equal opportunities, offers personal and professional growth, and allows them to have a sense of pride in being part of the Volaris Family.
Union	■ Collective bargaining agreements ■ Volaris Ethics Line ■ Institutional communication ■ Contracts ■ Annual Reports (20-F and IAR) ■ Email	■ Long-term and reliable relationship with the Company ■ Labor legislation compliance ■ Human rights protection ■ Freedom of association and collective bargaining	Volaris respects our Ambassadors' freedom of association, and most of our workforce is unionized. We work closely with labor unions to promote a safe and productive working environment for our Ambassadors.

GRI
2-29

Stakeholders	Communication Channels	Key Issues	Response
Community	■ Inflight digital magazine ■ Annual reports (20-F and IAR) ■ Community engagement activities ■ External communication, e.g., marketing campaigns, news releases, etc.	■ Positive impact on the communities where we operate ■ Environmental footprint reduction ■ Economic boom through tourism, VFR passengers, and business travel ■ Protection of human rights	Volaris helps accelerate economic growth and opportunities by enabling travel and tourism. We collaborate with the communities we serve to reduce any negative impact and support them through our operations and community engagement activities.
Suppliers	■ Institutional communication channels ■ Informative circulars ■ Annual evaluation ■ Annual reports (20-F and IAR) ■ Contracts	■ Product and service reliability ■ Long-term and trustful relationships ■ Sustainable value chain ■ Upholding human rights ■ Environmental footprint reduction	Through our supplier relationships, we seek to maintain business continuity while maintaining a sustainable value chain that upholds human rights and reduces our environmental impact.
Investors	■ Annual Shareholders' Meeting ■ Presentations at conferences and forums ■ Quarterly earnings calls and financial reports ■ Annual reports (20-F, IAR, and TCFD) ■ Media and press releases ■ Surveys, indexes, and ratings ■ 1x1s meetings ■ Email (ir@volaris.com) and IR webpage	■ Short, medium, and long-term business plan ■ Return on investment ■ Income generation ■ Cost reduction ■ Resource optimization ■ Corporate governance ■ Risks, opportunities, and crisis management ■ Ethics, transparency, and compliance culture ■ Climate change strategy	Volaris reports on its financial and non-financial performance periodically to our investors. We also uphold strict standards of corporate governance, promoting that our practices are ethical and transparent.
Authorities, industry organizations, and peers	■ Direct communication with strategic partnerships ■ Chambers and forums ■ Events and conferences ■ Annual Reports (20-F, IAR, and TCFD) ■ Compliance reporting ■ Media and press releases	■ Regulatory compliance ■ Economic development ■ Tax payment ■ Safety and security ■ Environmental footprint reduction ■ Reporting ■ Recovery of the airline industry post-COVID-19 pandemic	We work in collaboration with regulatory bodies and industry organizations to promote compliance with applicable regulations in the countries where we operate and that the industry's interests are represented. Also, we collaborate with industry organizations and peers to advance aviation's best practices, such as safety, environmental footprint reduction, and social welfare, among others.

GRI
2-29

UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are a set of 17 goals established by the United Nations in 2015 as a global blueprint for achieving a more sustainable future by 2030. The SDGs provide a framework for governments, businesses, and individuals to work together and take actions that contribute to a more inclusive, equitable, and sustainable world. For more information about the UN SDGs, including their associated targets and indicators, please visit

https://sdgs.un.org/goals.

Volaris supports all 17 goals, and we have identified 8 SDGs that most clearly align with our actions and business strategy.

Our contributions are summarized in the following table:

	Goal	Relevant Targets	Volaris' Contribution	Applicable IAR Report Chapter
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	5.1, 5.2,5.5	■ Volaris is part of the *IATA 25by2025* initiative to reduce gender inequality in the aviation sector and increase the representation of women in leadership positions and other areas, such as pilots and maintenance. ■ By the end of 2022, women held 41% of leadership positions at Volaris. ■ We implemented the Volaris Pilot Scholarship Program, which is an initiative that helps some of our Ambassadors achieve their dream of becoming a pilot and contributes to our gender equality goals by focusing on the development of women's pilot careers.	■ Our Ambassadors
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	7.3, 7.a	■ We continue to explore options to obtain SAFs and support the research and development of supply. ■ In 2023, we joined an investment agreement alongside strategic allies to accelerate SAFs production through the startup CleanJoule. ■ We have implemented various energy efficiency measures in our offices and our fleet operations.	■ Our Climate Change Strategy
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	8.5, 8.7	■ We provide competitive salaries and benefits to more than 7,360 Ambassadors and seek to ensure that compensation is fair across our organization. ■ We prohibit forced labor, modern slavery, and human trafficking throughout our value chain. These rules are established in our Code of Ethics and our Suppliers' Ethics Policy, which we require suppliers to acknowledge. ■ We promote tourism and support the economic development of emerging markets in Mexico, Central America, and South America.	■ Our Ambassadors ■ Our Corporate Governance

GRI
2-24

SDG	Goal	Relevant Targets	Volaris' Contribution	Applicable IAR Report Chapter
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.1	■ In 2022, we transported more than 31 million passengers with affordable and safe air transportation, which enables more passengers to obtain the benefits of air travel. ■ We promote tourism and support the economic development of emerging markets in Mexico, Central America, and South America.	■ We Are Volaris ■ Our Customers
10 REDUCED INEQUALITIES	Reduce inequality within and among countries	10.2, 10.3, 10.4	■ Volaris fosters an inclusive workplace culture and enforces a zero-tolerance policy for any form of discrimination. ■ We promote diversity, equity, and inclusion throughout our organization, and seek to have our practices align to reduce inequalities within the aviation industry and beyond. ■ Our bus switching business model allows us to democratize air transportation and offers opportunities for everyone to access it.	■ We Are Volaris ■ Our Ambassadors
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Promote sustainable consumption and production patterns	12.5, 12.6	■ We continue to make strides to reduce and manage waste generation, both onboard and in our corporate offices. For example, 100% of single-use plastics have been replaced by biodegradable material (forks, stirrers, plastic cups, and napkins).	■ We Are Volaris ■ Our Climate Change Strategy
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	13.3	■ We are working actively to reduce our carbon footprint. We have joined IATA's pledge to achieve net-zero carbon emissions from our operations by 2050. ■ In 2023, we published our inaugural climate-related risks and opportunities management report based on TCFD recommendations. ■ We established an ambitious emission reduction target that allowed us to issue a sustainability-linked bond and pre-delivery payments (PDPs) linked to sustainability. ■ We are investing in high-performance technology to promote efficient operations.	■ We Are Volaris ■ Our Climate Change Strategy
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the global partnership for sustainable development	17.16, 17.17	■ Volaris collaborates extensively with governments, authorities, regulators, private organizations, labor unions, and other industry stakeholders to promote operational safety and regulatory compliance, as well as develop environmental programs, among others.	■ We Are Volaris ■ Our Corporate Governance ■ Our Customers ■ Our Climate Change Strategy

ESG Materiality Assesment

In 2021, we conducted an ESG Materiality Assessment, informed by the process outlined by GRI, to understand the priority issues to our stakeholders for Volaris' strategic planning.

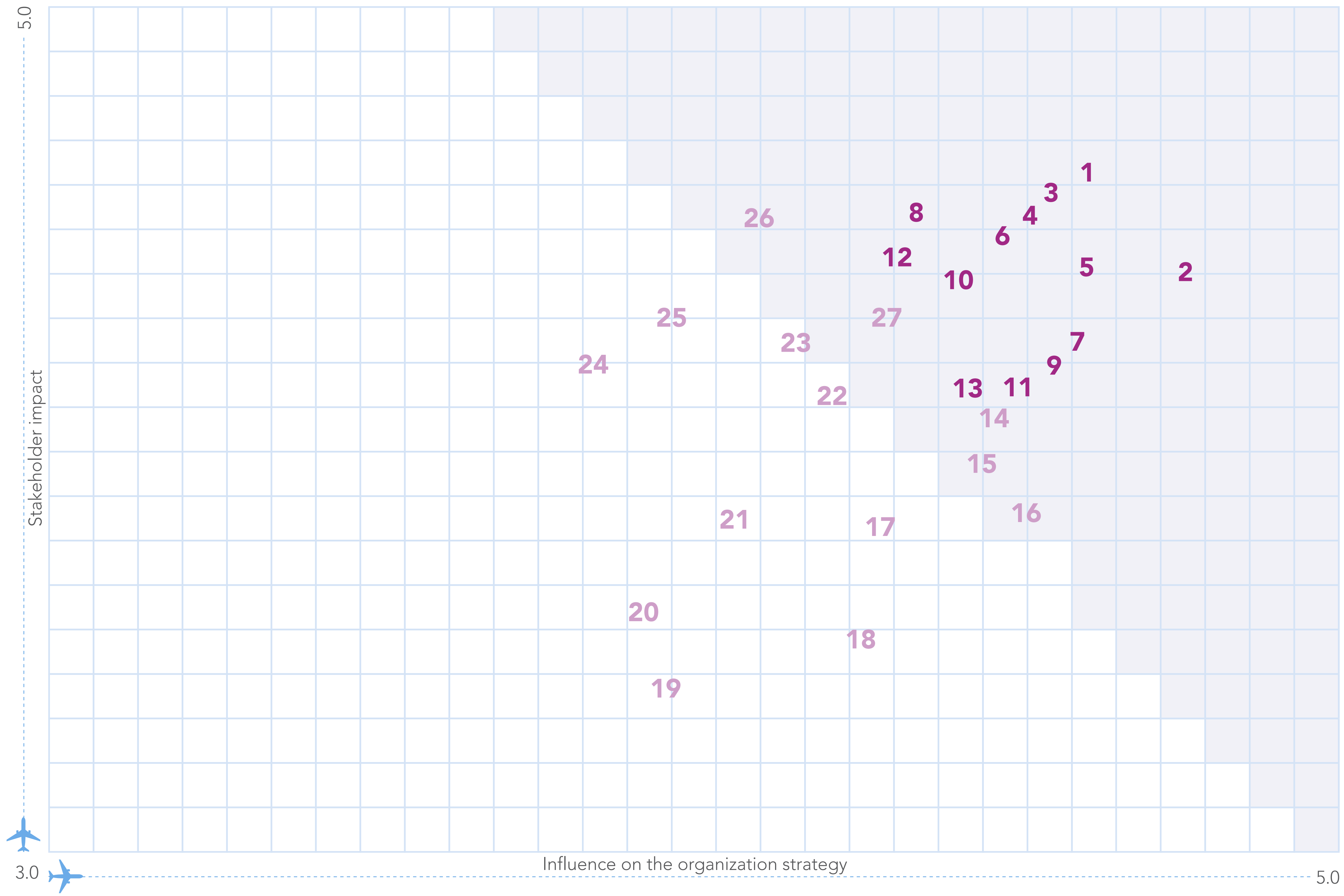
We believe the importance of conducting this exercise was amplified by the COVID-19 pandemic as it shifted the priorities of our stakeholders.

To develop the ESG materiality matrix, an initial list of relevant factors was compiled by reviewing key issues in the aviation industry and by analyzing Volaris' media communications and internal documents. Next, a sample of internal and external stakeholders was surveyed to prioritize the topics. Internal stakeholders included Company management and Ambassadors, while external stakeholders included our suppliers, customers, strategic partners, and the press. Survey results were used to develop the ESG materiality matrix, which was evaluated by our Senior Management and Board of Directors.

GRI
2-14
3-1

Assessing our ESG priority topics as defined by our stakeholders and industry trends allows us to understand our stakeholders' expectations of Volaris.

We are aware that the Company's sustainability depends, in part, on our ability to meet those expectations. We aim to conduct such ESG materiality assessments periodically. The results of the 2021 ESG Materiality Assessment are as follows:



Priority 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

GRI
2-14
3-1

Awards and Recognitions

In 2022, we were honored to receive recognition for our ESG performance and responsible practices, while delivering long-term value for our stakeholders.

Dow Jones Sustainability Indices

Since 2020, Volaris has been a member of the Dow Jones Sustainability MILA Pacific Alliance Index. This index includes companies that are members of the S&P MILA Pacific Alliance Composite and meet certain sustainability requirements with better performance than the majority of their peers within a given industry.

S&P/BMV Total Mexico ESG Index

Since 2021, we are one of the 28 companies included in the S&P/BMV Total Mexico ESG Index. The constituents of this Index are recognized for their best ESG practices.

FTSE4Good Index

In 2022, Volaris was included in the FTSE4Good Index Series. Created by FTSE Russell, the Index measures the performance of companies that demonstrate strong ESG practices.

AirlineRatings.com

Volaris was recognized as the safest ultra-low-cost airline in Latin America in 2022, in addition to being recognized as one of the safest airlines in the world.

ISO 9001 and 14001 Certifications

Volaris operations[14] have ISO 9001 and 14001 certifications for quality management and environmental systems, respectively.

[14] The processes of: Operational Control Center, Crew Planning, Pilot Training Planning, Emergency Response Management, Cargo Operations, Monitoring of Gas Emissions into the atmosphere, Fuel Saving Program, Purchase of carbon credits, Environmental programs for waste management and energy management in the Corporate Offices (Ecological Offices) are certified under ISO 9001 and 14001 Standards.

ESR Distinction

Since 2009, we have received the Empresa Socialmente Responsable (ESR) distinction by the Mexican Center for Philanthropy (CEMEFI) and AliaRSE. This award recognizes companies that are voluntarily and publicly committed to corporate social responsibility in their business culture and strategy.

IOSA Certification in Mexico and Costa Rica

We maintain IATA Operational Safety Audit (IOSA) certifications in Mexico and Costa Rica for our safety management systems and procedures. We plan to receive IOSA Certification- in El Salvador, with initial audit scheduled for 2023.

The Code Top Member

In partnership with ECPAT International, we promote sustainable tourism practices and the development of solutions to prevent sexual exploitation and trafficking of children and adolescents for sexual purposes in the context of travel and tourism.

CAPA Award for Excellence

Volaris was named the Latin American Environmental Sustainability Airline/Airline Group of the Year at the annual CAPA Aviation Sustainability Awards for Excellence.

GRI
2-28

This is just the beginning...

to continue developing our **business with an ethical and transparent culture**

03 Our Corporate Governance

GRI

2-1, 2-6, 2-9, 2-10, 2-11, 2-12, 2-13, 2-15, 2-16, 2-17, 2-18, 2-19, 2-20, 2-23, 2-24, 2-25, 2-26, 2-27, 2-28, 3-3, 201-2, 204-1, 405-1, 416-2, 417-2, 417-3, 418-1

SASB

TR-AL-520a.1

71% independent Directors

14% women Directors

We do not have material fines and monetary sanctions for non-compliance with ESG regulations

Our Corporate Governance

To guarantee the strength of our Corporate Governance to all our stakeholders, we adhere to the Code of Principles and Best Practices of Corporate Governance *(Código de Principios y Mejores Prácticas Corporativas de Gobierno Corporativo)* of Mexico's 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) with American Depositary Receipt Level III Program and guide our governance structure and behavior to the provisions of these organizations and related regulations.

Corporate Governance Structure

Our governance bodies include the Shareholders' Meeting, the Board of Directors, the Audit Committee, and the Corporate Governance Committee.

Shareholders' Meeting

Board of Directors

71% Independent Directors[15]

Audit Committee

Chairman: Independent Director

Corporate Governance Committee

Chairman: Independent Director

[15] As of the date of this Report's publication.

Ownership Structure & Shareholders' Rights

Our capital stock is divided into two series of shares, Series A and Series B:

Series A shares

Are common shares and may only be owned directly by Mexican individuals or entities wholly owned by Mexican individuals. Mexican holders of Series A shares are entitled to vote on all matters. Non-Mexican investors are only entitled to hold Series A shares through Ordinary Participation Certificates or "CPOs" (including CPOs in the form of American Depositary Shares or "ADSs"), which give holders economic rights but not voting rights. The Series A shares underlying the CPOs and the CPOs underlying the ADSs are voted by the trustee issuing the CPOs in the same manner as a majority of the votes of the Series A shares cast at the relevant Shareholders' Meeting in all circumstances.

Series B shares

Are common shares and may be purchased by Mexican or non-Mexican individuals or entities. Series B shares may be convertible at any time into Series A shares and may not represent more than 49% of our outstanding capital stock. Holders of Series B shares are entitled to vote on all matters.

Both series of shares are entitled to one vote per share. No restricting voting rights are granted.

As of the date of this Report, our outstanding capital stock consisted of 1,108,462,804 Series A shares and 57,513,873 Series B shares.

None of our shareholders hold more than 5% of our voting rights. Due to their ADSs positions, the following shareholders own over 5% of our shares as of April 2023:

	Common Stock			
Shareholders	Series A	Series B	Series A %	Series B %
5% Shareholders:				
Funds managed by Indigo[16]	169,380,930	43,194,749	15.3%	75.1%
Blue Sky Investments, S.A.R.L.[17]	85,739,880	14,319,124	7.7%	24.9%
Teewinot Capital Advisers LLC[18]	61,288,820	—	5.5%	0.0%
Named Executive Officers and Directors:				
William A. Franke[16]	169,380,930	43,194,749	15.3%	75.1%

[16] Consists of 135,974,070 Series A shares (deposited in the CPO trust) held by Indigo LatAm LP, 1,000,649 Series B shares and 3,228,640 Series A shares (deposited in the CPO trust) held by Long Bar LatAm LLC, 178,220 Series A shares (deposited in the CPO trust) held by Long Bar LatAm II LP, 30,000,000 Series A shares (deposited in the CPO trust) held by Indigo Mexico LLC, and 42,194,100 Series B shares held by Indigo Mexico Cöoperatief U.A. William A. Franke is the managing member of a fund that is the general partner of Indigo Mexico Cöoperatief U.A, and is manager of the funds of Long Bar LatAm LLC, Indigo LatAm LP, Long Bar LatAm II LP, and Indigo Mexico LLC, and as such, has voting and dispositive power over these shares. Mr. Franke disclaims beneficial ownership of the shares held by these entities except to the extent of any pecuniary interest therein. Indigo Mexico Coöperatief U.A. has a principal business address at: Herikerbergweg 88, 1101 CM Amsterdam, Netherlands. All other entities listed herein, whose shares are beneficially owned by Indigo, have a principal business address at: 2525 East Camelback Road, Phoenix, Arizona 85016.

[17] It is a founding investor. Consists of 14,319,124 Series B shares and 85,739,880 Series A shares deposited in the CPO trust held by Blue Sky Investments, S.à r.l. Rodrigo Antonio Escobar Nottebohm and Rémy Cornet are the managers of Blue Sky Investments, S.à r.l. and share voting and investment power over the shares held by Blue Sky Investments, S.à r.l. Messrs. Escobar Nottebohm and Cornet disclaim beneficial ownership of the shares held by Blue Sky Investments, S.à r.l. except to the extent of their respective individual pecuniary interests in these shares. Blue Sky Investments, S.à r.l. has a principal business address at: 17 Boulevard F.W. Raiffeisen, 2411 Luxembourg.

[18] Teewinot Capital Advisers LLC has a principal business address at: 101 Park Avenue, 48th Floor, New York, New York 10178.

GRI
2-1
2-15

SASB
TR-AL-520a.1

GRI

2-1
2-15

SASB

TR-AL-520a.1

Subject to certain exceptions, our By-laws require that any acquisition of our Series A shares (whether directly or by acquiring ADSs or CPOs), resulting in beneficial ownership of shares representing 5% or more of our outstanding capital stock, or any proposal by any person or group of persons to enter into an agreement among shareholders that would result in such person or group of persons effectively having control of the voting rights of 20% or more of our outstanding capital stock or will result in a change of control, will require the prior approval of our Board of Directors.

Any potential purchaser who proposes to acquire our Series A shares (whether directly or by acquiring ADSs or CPOs), resulting in beneficial ownership of 20% or more of our outstanding capital stock, will be required to make a tender offer for 100% of our outstanding capital stock (including any Series A shares evidenced by CPOs or ADSs) at a price at least equal to the highest of (i) the most recent publicly reported book value per share; (ii) the highest trading price of our Series A shares on the Mexican Stock Exchange within the 365 days prior to the request for approval of the Board of Directors of the relevant transaction; and (iii) the highest price per share or CPO, as the case may be, paid by the purchaser or, in the case of the ADSs the equivalent thereto, plus, in each case, a 30% premium or a different premium determined by our Board of Directors, considering the opinion of a reputable investment bank.

Any acquisition of our Series A shares, CPOs, or ADSs in contravention of the procedures described above will result in the purchaser not having any voting rights respect to the purchased securities. No transfer in breach of these provisions will be registered in our stock registry.

> 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 to participate in securities with underlying shares of Volaris without voting rights. This structure allows majority Mexican investors to determine the voting direction of the shares underlying the neutral investment. This information is public and available to investors in the prospectuses and annual reports of the markets in which we are listed.

Shareholders' Meeting

The Shareholders' Meeting is the highest governance body at Volaris. The Meetings are led by the Chairman of the Board of Directors. In the absence of the Chairman, the Meetings are led by the person designated by the majority of the vote of the shareholders in attendance at such Meeting.

Under Mexican law and our By-laws, Shareholders' Meetings may be called by:

- Our Board of Directors, the Chairman of our Board of Directors, or the Secretary of the Board of Directors.
- Shareholders representing at least 10% of our outstanding capital stock, who may request that the Chairman of the Board of Directors or Chairman of the Audit Committee and the Chairman of Corporate Governance Committee call a Shareholders' Meeting.
- Any shareholder, provided that no Annual Ordinary Meeting has been held for two consecutive years or the Annual Shareholders' Meeting did not address the matters required to be addressed in the Annual Shareholders' Meetings.
- A Mexican court of competent jurisdiction, in the event the Board of Directors does not comply with a valid request of the shareholders described in the two bullet points above.
- The Audit Committee or the Corporate Governance Committee.

Calls for Shareholders' Meetings are required to be published in the electronic system implemented by Mexico's Ministry of Economy at least 15 days before the scheduled date of the Shareholders' Meeting in the case of the first call. Calls will have to contain the matters to be addressed at the meeting. From the date on which a call is published until the date of the corresponding meeting, all relevant information will be made available to the shareholders at our executive offices.

To attend a Shareholders' Meeting, shareholders have to be either registered in the stock registry, present evidence of the deposit of their certificates with a financial institution or deposit them with our Secretary, or present certificates issued by the custodian of the holder of our Series A shares, together with an Indeval (Mexican Securities Custodian) certification. Investors holding our CPOs may not vote nor cause the underlying Series A shares to be voted by the CPO trustee.

General Shareholders' Meetings may be General Ordinary Shareholders' Meetings or General Extraordinary Shareholders' Meetings. General Ordinary Shareholders' Meetings are those called to discuss any issues not reserved for extraordinary meetings.

General Ordinary Shareholders' Meetings will have to be held at least once a year, during the first four months following the end of each fiscal year to:

01

- Approve financial statements for the preceding fiscal year.

02

- Discuss and approve the Audit Committee and Corporate Governance Committees' annual reports, and determine how to allocate net profits from the preceding year (including, if applicable, the payment of dividends).

03

- Elect/re-elect Directors.

04

- Appoint the Chairman of the Audit Committee and the Chairman of the Corporate Governance Committee.

05

- Approve any increase or decrease in the variable portion of our capital stock and the issuance of the corresponding shares.

06

- Approve the Chief Executive Officer's annual report along with the report and opinion of the Board of Directors .

07

- Determine the maximum amount of resources allocated to share repurchases.

08

- Approve any transaction representing 20% or more of our consolidated assets during any fiscal year.

Except as described below, the attendance quorum for General Ordinary Shareholders' Meetings is 51% of the outstanding capital stock, and resolutions may be taken by a majority of the capital stock represented therein. If the attendance quorum is not met upon the first call, a subsequent meeting may be called, the attendance quorum of which will also be 51% of the outstanding capital stock and resolutions may be taken by a majority of the capital stock represented at such meeting.

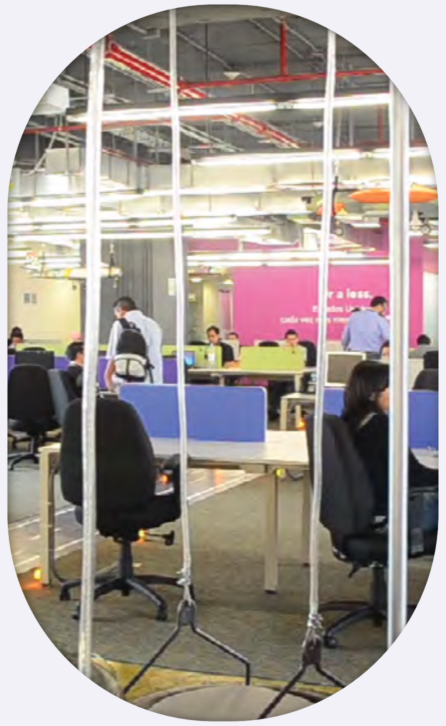
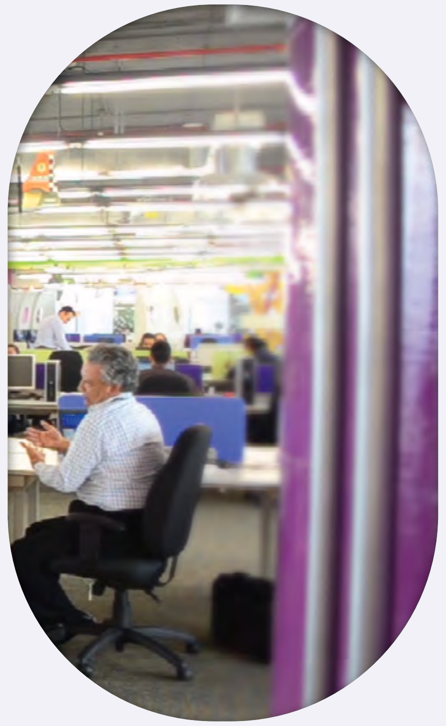
General Extraordinary Shareholders' Meetings are those called to consider:

- An extension of our corporate term or voluntary dissolution.
- An increase or decrease in the fixed portion of our capital stock and the issuance of the outstanding stock.
- Issuance of shares for purposes of a public offering.
- Any change in our corporate purpose or nationality.
- Any merger or transformation into another type of company.
- Any issuance of preferred stock.
- The redemption of shares with retained earnings
- Any amendments to our By-laws including amendments to provisions addressing change of control.
- Any other matters provided for by law or our By-laws.
- The cancellation of the registration of shares at the Mexican National Securities Registry.

Except as described below, the attendance quorum for General Extraordinary Shareholders' Meetings is required to be at least 75% of our outstanding capital stock. If an attendance quorum is not met upon the first call, a subsequent meeting may be called, at which at least 51% of the capital stock must be represented. In either case, resolutions must be taken by the vote of shares representing at least 50% plus one of the shares representing our outstanding capital stock, except for resolutions in respect to the cancellation of the registration of shares at the Mexican National Securities Registry which require that at least 95% of the outstanding capital stock vote in favor of such resolution.

A special Shareholders' Meeting, comprising a single class of shares, may be called if an action is proposed to be taken that may only affect such class. The quorum for a Special Meeting of Shareholders and the vote required to pass a resolution at a special Series B shareholders' meeting are identical to those required for Extraordinary Meetings of Shareholders, except that the calculations are based upon the number of outstanding Series B shares.

Shareholders may request the approval of certain resolutions on Ordinary and Extraordinary Shareholders' meetings while complying with attendance and voting requirements. Holders of our shares will not have cumulative voting rights.

Pursuant to the Mexican Securities Market Law and the Mexican Corporations Law, our By-laws include minority shareholder protections. These minority protections include provisions that permit:

- Holders of at least 10% of our outstanding capital stock:
  - To request a call for a Shareholders' Meeting.
  - To request that resolutions with respect to any matter on which they were not sufficiently informed be postponed.
  - To appoint one member of our Board of Directors and one alternate member of our Board of Directors.
- Holders of 20% of our outstanding capital stock may oppose any resolution adopted at a Shareholders' Meeting and file a petition for a court order to suspend the resolution temporarily, within 15 days following the adjournment of the meeting at which the action was taken, provided that (i) the challenged resolution violates Mexican law or our By-laws; (ii) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution; and (iii) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution, in the event that the court ultimately rules against the opposing shareholder.
- Holders of 5% of our outstanding capital stock may initiate a shareholder derivative suit against some or all of our Directors, for violations of their duty of care or duty of loyalty, for the benefit of Volaris, in an amount equal to the damages or losses caused to us. Actions initiated on these grounds have a five-year statute of limitations.

GRI
2-9

SASB
TR-AL-520a.1

Board of Directors

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 in 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.

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.

By recommendation of the corresponding committee, the Shareholders' Meeting annually selects by a voting majority the members of the Board of Directors, their Chairman, and the Chairman of their committees. The Board of Directors must be composed of a maximum of 21 members, of which at least 25% must be independent, in accordance with the Mexican Securities Market Law.

The Annual General Ordinary Shareholders' Meeting of the Company appoints or ratifies the designation of the independent Directors; moreover, all our independent Directors deliver annually a written statement to the Company asserting their independence in accordance with the Mexican Securities Market Law.

GRI
2-9
2-12
2-13

SASB
TR-AL-520a.1

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




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, including ESG matters.
- Overseeing our operations and those of our subsidiaries.
- 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, with the prior opinion of the Audit or the Corporate Governance Committees, on a case-by-case basis: (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 Members; (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.
- 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 a 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 Directors 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% of the members of our Board of Directors; (ii) the Chairman of our Board of Directors; (iii) the Chairmen of the Audit and the Corporate Governance Committees; and (iv) the Secretary of our Board of Directors.

In 2022, the Board of Directors met five times with an attendance rate of 98%. Additionally, in December 2022, the Board of Directors carried out a self-assessment questionnaire to assess its strengths and opportunities.

Definition of Director Independence

In Mexico, the Securities Market Law and the Code of Principles and Best Practices of Corporate Governance specify that the following persons cannot be considered independent:

- Active employees or directors of the Company, including statutory examiners.
- Former employees or directors, if a 12-month waiting period has not passed before their appointment.
- If not an employee or director, a person with significant influence or decision-making power over the Board of Directors.
- An external adviser, partner, or employee of consultants that advise the Company or its affiliates, and their total income significantly depends on this contractual relationship.
- Clients, suppliers, creditors, or debtors of the Company, or an employee of an important client, supplier, creditor, or debtor.
- Employees of non-income organizations, universities, and NGOs that receive important donations or sponsorship from the Company.
- A general manager, director, or high-level executive of a company whose board of directors is formed by directors of the Company.
- Persons with a family relationship with any of the above persons, whereby their independence can be undermined.

For publicly traded companies like Volaris, the Securities Market Law also provides that a shareholder forming part of a controlling group of shareholders is not considered an independent Director.

Board Composition

As of the date of this Report, Volaris' Board of Directors comprises 14 proprietary members; of these, **71% are independent** (10 propietary). In addition, **14%** (two propietary independent Directors) **of the members are women.**

While Volaris does not have a formal Board diversity policy, we seek to consider a wide slate of candidates with varied skill sets, experience, and backgrounds.

The **average tenure of our Directors is 7.9 years.** Fourteen percent of the members of the Board of Directors are on three or more other public boards.

GRI
2-9
2-15
405-1

SASB
TR-AL-520a.1

The role of the Chairman of the Board of Directors and the CEO is divided. Mr. Brian H. Franke serves as Chairman, as a non-executive, and as non-independent Director.

Further details on the Board of Directors composition as of the date of this Report are listed below:

Chart 1. Board of Directors Composition

($) Financial Experience, (I) Industry Experience, (R) Risk Experience, (CEO) Chief Executive Officer, (COB) Chair of the Board, (E) CEO at Volaris, (C) Cybersecurity Experience, (ESG) ESG Experience

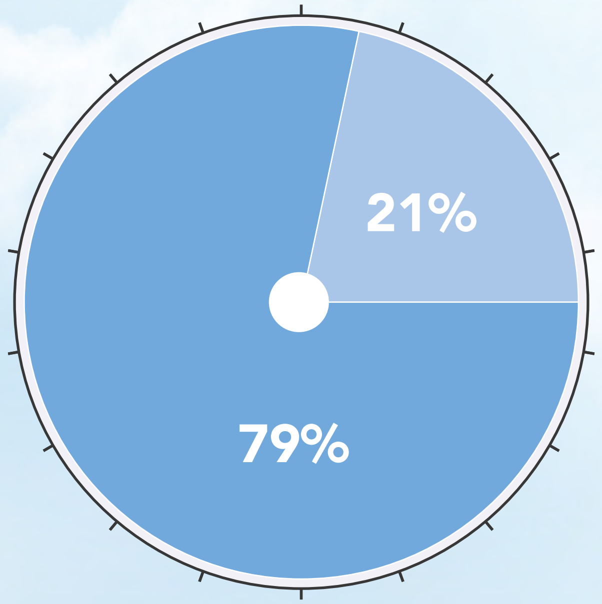
Name	Gender	Age	Years of Tenure	Other Boards (Total)	Other Public Boards	Independence[19]	Related Party Transactions[20]	% of Share Ownership	Country of Nationality
Andrew Broderick (I) ($)	M	39	0	4	2	No	Yes	0.00	United States of America
Alfonso González Migoya ($) (R)	M	78	9	6	3	Yes	No	0.01	Mexico
Brian Franke (COB) (I) ($)	M	59	13	4	2	No	Yes	0.22	United States of America
Enrique J. Beltranena Mejicano ($) (I) (E)	M	60	7	0	0	No	No	0.82	Mexico
Guadalupe Phillips Margain (CEO) ($) (R)	F	52	3	5	1	Yes	No	0.00	Mexico
Harry Krensky (I) ($) (R)	M	60	17	10	1	Yes	Yes	0.52	United States of America
Joaquín Alberto Palomo Déneke (I) ($) (R)	M	72	17	4	1	Yes	No	0.00	El Salvador
John Slowik (I) ($) (R)	M	72	11	3	0	Yes	No	0.01	United States of America
José Luis Fernández Fernández ($) (R) (C)	M	64	11	3	3	Yes	Yes	0.00	Mexico
Marco Baldocchi Kriéte (CEO)	M	49	3	1	0	No	Yes	0.16	El Salvador
Mónica Aspe Bernal (CEO)	F	45	3	2	1	Yes	No	0.00	Mexico
Ricardo Maldonado Yáñez (ESG)	M	55	5	4	2	Yes	Yes	0.00	Mexico
Stanley Pace (I)	M	69	6	1	0	Yes	No	0.01	United States of America
William Dean Donovan (I)	M	61	6	4	0	Yes	No	0.23	United States of America

[19] In accordance with the requirements of the Mexican Securities Market Law. [20] Please refer to our current 20-F for more detail on the transactions.

Graph 1. Age diversity of Board of Directors

- >50 years old
- 30-50 years old

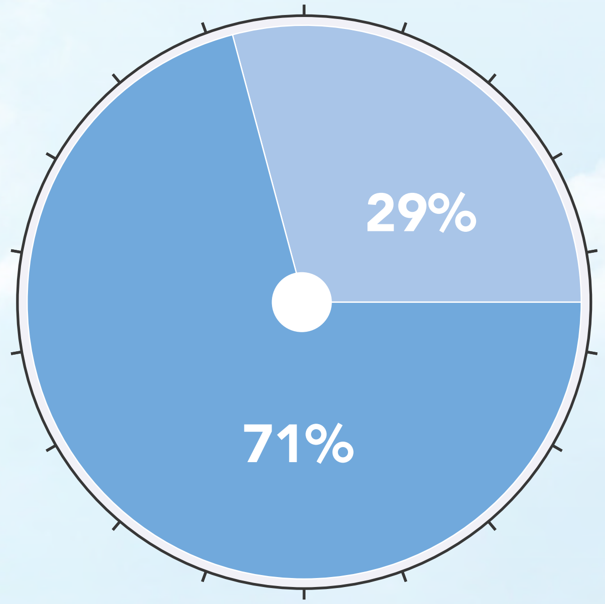
Age Diversity Board of Directors
Proprietary Members



Graph 2. Independence of Board of Directors

- Independent
- Non-independent

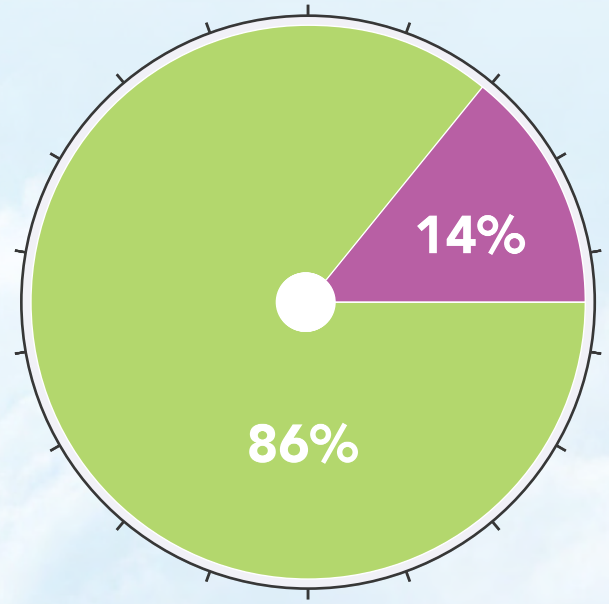
Board of Directors Independence
Proprietary Members



Graph 3. Gender diversity of Board of Directors

- Women
- Men

Gender Diversity Board of Directors
Proprietary Members



Profiles for the Board of Directors

Brian H. Franke

— 59

Chairman of the Board of Directors

Brian H. Franke has served 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 Airlines (USA), JetSMART Airlines (South America), Cebu Pacific Airlines (Philippines), and APiJET. 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 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 an 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.

Andrew Broderick

— 39

Director

Andrew Broderick has served as a member of our Board of Directors since 2023. Mr. Broderick is a managing director of Indigo Partners LLC, a private equity fund focused on air transportation, which he joined in July 2008. He has served on the board of directors of Frontier Airlines Holdings Inc., an airline based in the United States, since January 2018; JetSMART Airlines SpA, an airline based in Chile, since September 2018; Wizz Air Holdings Plc, an airline based in Europe, since April 2019; and APiJET LLC, a software company focused on providing real-time cost saving analytics to airlines, since November 2020. Additionally, Mr. Broderick serves on various committees of these companies, including finance, sustainability and culture, safety and security, and compensation committees. Prior to joining Indigo, Mr. Broderick was employed at a macroeconomic hedge fund and a stock-option valuation firm. Mr. Broderick holds a B.S. in economics and a B.A. in Spanish from Arizona State University and an M.B.A. from the Stanford Graduate School of Business.

Harry F. Krensky

— 60

Independent Director, Corporate Governance Committee (Member)

Harry F. Krensky is one of our co-founders and has served as a member of our Board of Directors since our establishment in 2005 and is a member of our Corporate Governance Committee. He is also a member of the board of directors of Traxion, MasAir, Merited, and KidZania. Mr. Krensky is founder and managing partner of the private equity firm Discovery Americas. 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. Mr. Krensky holds a B.A. in government from Colby College, a MSc from the London School of Economics and Political Science, and an M.B.A. from the Columbia University Graduate School of Business.

GRI

2-9
2-11

SASB

TR-AL-520a.1

Profiles for the Board of Directors

Marco Baldocchi Kriete
— 49

Director

Marco Baldocchi Kriete has served as a member of our Board of Directors since 2020. He is the chief executive officer of Central American Comercial, S.A. de C.V., a high-growth retail company that operates more than 400 locations in Central America, Colombia, and Peru. He has previously served on the board of directors of Onelink Holdings, Avianca Holdings S.A. (previously AviancaTaca Holding S.A.) from 2010 to 2014. He was a founding member of Transactel Inc. and board member of Banco Agricola from 2003 to 2007. He is currently a member of the board of directors of Aeromantenimiento (MRO Holdings Inc.). Mr. Baldocchi holds a B.A. in arts from Vanderbilt University and an M.B.A. from the Kellogg School of Management at Northwestern University.

Alfonso González Migoya
— 78

Independent Director

Alfonso González Migoya has served as a member of our Board of Directors since 2014. He was 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, and the Business School of the *Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM)*, among others. Mr. González previously served as chief executive officer and chairman of the board of directors of *Grupo Industrial Saltillo*, and as executive vice president of *Grupo Financiero Bancomer*. He has also held various senior roles in *Grupo ALFA*. Mr. González holds a B.S. in electromechanical engineering from *Instituto Tecnológico y de Estudios Superiores de Monterrey* and an M.B.A. from Stanford University Graduate School of Business.

Stanley L. Pace
— 69

Independent Director

Stanley L. Pace has served as a member of our Board of Directors since 2017. He is a partner at Bain & Company where he has served as a member and chair of most of its key governance board of directors. Mr. Pace was the founder of the transformation and airline practices at Bain & Company and has led many of its 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 the University of Utah -BYU, where he graduated as valedictorian, and an M.B.A. from Harvard Business School, where he graduated with high distinction.

Profiles for the Board of Directors

William Dean Donovan

— 61

Independent Director

William Dean Donovan has served on our Board of Directors since 2010, first as an alternate director and then as a proprietary director starting in 2017. In 2009, Mr. Donovan joined the board of directors of Prophet Brand Strategy, a marketing consultancy. At Prophet, he sits on the Compensation Committee and chaired the Capital Committee, which provided board oversight for the recapitalization of the company. He served on the board of the Metropolitan Bank from 2008 to 2015, where he chaired the Compensation Committee. 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, worked with aerospace clients, and led Bain's aviation practice and auto practice at various times. Mr. Donovan co-founded Casino Marketing Alliance, a provider of 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 and optimization platform.

Mr. Donovan currently leads DiamondStream Partners, an investment firm that specializes in aviation and aerospace technology. In this role, he assists companies focused on mid-mile freight, electric and hybrid electric propulsion, aircraft maintenance, revenue management, fleet management, irregular operations, unmanned aircraft, aerial inspection, drones, and the energy transition. He sits on the board or advises the following aviation and aerospace companies: GPMS, VerdeGo Aero, Ampaire, Wingtra, Stellar Labs, SwissDrones, and Volantio. He has previously served as chairman and on the Compensation Committee of Stellar Labs. He is a frequent speaker on the future of aviation and aerospace. Mr. Donovan holds a B.A. in rhetoric and economics from the University of California, Berkeley, where he graduated Phi Beta Kappa and summa cum laude, and an M.B.A. from the Wharton School of the University of Pennsylvania.

Enrique J. Beltranena Mejicano

— 60

Director, President and Chief Executive Officer of Volaris

Enrique Beltranena is one of our co-founders and 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, as well as the certification of the aeronautic authorities in Central America and Mexico and the compliance of the ICAO regulation.

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. In 2017, he was president of the board of directors of IPADE-UP Business School. He is currently a member of the IATA Board of Governors, where he was a keynote speaker at the Flight Safety Foundation in 2018. In 2022, he participated as a mentor of IATA Board of Governors, to incorporate the vision of the CEOs in safety within aviation. In February 2022, he started as national counselor of the Coordinating Council of Women Entrepreneurs.

GRI
2-9
2-11

SASB
TR-AL-520a.1

Profiles for the Board of Directors

José Luis Fernández Fernández
— 64

Independent Director
Audit Committee (Chairman)

José Luis Fernández Fernández has served as a member of our Board of Directors as an independent Director since 2012 and is also the Chairman of our Audit Committee. Mr. Fernández is also a member of the audit committees of several companies where he oversees cybersecurity issues, among other matters. These companies include *Grupo Televisa, S.A.B. de C.V.*, and he is also an alternate member of the board of directors of *Arca Continental, S.A.B. de C.V.* Mr. Fernández is a non-managing partner of Chevez Ruiz Zamarripa. Mr. Fernández holds a public accounting degree *(Licenciatura en Contaduría)* from *Universidad Iberoamericana* and a certification issued by the Mexican Institute of Public Accountants. Mr. Fernández participated in the Director Development Program offered by the Center of Excellence in Corporate Governance and the Mexican Stock Exchange, as well as in the Introduction to the Stock Market course offered by the same institution. In addition, he attended the Corporate Governance and Performance Program organized by the Yale University School of Business.

Joaquín Alberto Palomo Déneke
— 72

Independent Director
Audit Committee (Member)

Joaquín Alberto Palomo Déneke has served as a member of our Board of Directors since 2005 and is a member of our Audit Committee. He is also a member of the board of directors of Aeroman and of *Banco Agrícola* in El Salvador. 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 U.S. $1 billion in aircraft leases, sales, and leasebacks. Mr. Palomo holds a B.S. in agricultural economics from Texas A&M University.

John A. Slowik
— 72

Independent Director, Audit Committee (Member)

John A. Slowik has served as a member of our Board of Directors since 2012 and is a member of our Audit Committee. Prior to joining our Board, Mr. Slowik has had 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. Mr. Slowik's experience includes corporate and investment banking, where his activities involved public and private market capital raising, highly structured debt issuance, aircraft leasing, principal investment, mergers and acquisitions advisory work, and restructuring troubled situations in and out of court. His cross-cultural experiences include managing teams of bankers and professionals while executing various transactions for clients in Central and South America, North America, Western Europe, the Middle East, and the Asia and Pacific regions.

Mr. Slowik is also a member of the board of directors and chairman of Turbine USA LLC, a private commercial jet engine leasing company 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 and a terrestrial fiber optic cable system connecting Prudhoe Bay to Fairbanks, Alaska, a role that includes oversight for the company's cybersecurity platforms and policies. Mr. Slowik serves as a senior adviser to volofin Capital Management Ltd., a specialty finance company focused on delivering innovative financing solutions for the commercial aviation market. He is a licensed, but now inactive, private pilot. Mr. Slowik has a B.S. in mechanical engineering from Marquette University and an M.B.A. from the Kellogg School of Management at Northwestern University.

GRI
2-9
2-11

SASB
TR-AL-520a.1

GRI
2-9
2-11

SASB
TR-AL-520a.1

Profiles for the Board of Directors

Ricardo Maldonado Yáñez
— 55

Independent Director, Corporate Governance Committee (Chairman)

Ricardo Maldonado Yañez has been a member of our Board of Directors since 2018 and is the Chairman of our Corporate Governance Committee. He is a partner at the law firm *Mijares, Angoitia, Cortés y Fuentes, S.C.*, since 1999. Mr. Maldonado served as secretary of the board of *Mexicana de Aviación* from 2006 to 2010; represented the Mexican Ministry of Communications and Transportation and *Grupo Aeroportuario del Centro Norte*, in its initial public offering in 2006, and the Mexican Ministry of Communications and Transportation in the sale of its remaining 11% equity interest in *Grupo Aeroportuario del Sureste* through a follow-on offering in 2005. Mr. Maldonado focuses his practice on M&A, securities, and corporate governance matters, and is a member of the board of *ICA Tenedora*, one of Mexico's largest construction and engineering companies, and of *Grupo Aeroportuario del Centro Norte*, an operator of 13 airports in Mexico, where he also chairs the corporate practices, finance, and sustainability committees. Mr. Maldonado is a member of the National Association of Corporate Directors and of the International Corporate Governance Network (ICGN). He has a master's degree (LL.M.) from the University of Chicago Law School, a corporate law diploma from the *Instituto Tecnológico Autónomo de México (ITAM)*, and a lawyer's degree from the *Universidad Nacional Autónoma de México (UNAM)*.

Guadalupe Phillips Margain
— 52

Independent Director

Guadalupe Phillips Margain has served as a member of our Board of Directors since April 2020. She is the chief executive officer of *ICA Tenedora, S.A. de C.V.* and a member of the board of directors. 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, Innova*, and *Grupo Axo*. Ms. Phillips holds a law degree *(Licenciatura en Derecho)* from the *Instituto Tecnológico Autónomo de México (ITAM)*, 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.

Mónica Aspe Bernal
— 45

Independent Director, Corporate Governance Committee (Member)

Mónica Aspe Bernal has served as a member of our Board of Directors since April 2020 and is a member of our Corporate Governance Committee. She is the chief executive officer of AT&T Mexico and serves on the boards of *Nemak and Sky México*. She previously was Mexico's Ambassador to the OECD. She served as vice minister in the former Ministry of Communications and Transportation of Mexico. Ms. Aspe holds a B.A. in political science from *Instituto Tecnológico Autónomo de México (ITAM)* and an M.A. in political science from Columbia University.

Our Committees and Working Groups

Our Board of Directors is supported by committees that analyze specific matters concerning the Company and issue recommendations to the Board of Directors.

On April 21, 2023, the Annual Ordinary General Shareholders' Meeting approved a plan to amend our By-laws and restructure the committees of our Board of Directors. The Audit and Corporate Governance Committee was split into two committees: (i) the Audit Committee and (ii) the Corporate Governance Committee. Additionally, the Compensations and Nominations Committee ceased to exist, and the Corporate Governance Committee assumed the compensation and nomination duties. **This will allow the newly dedicated Corporate Governance Committee additional time and resources to focus on ethics and on ESG oversight,** including the management of climate-related risks and opportunities.

Our Committees

Audit Committee

Mexican Securities Market Law requires us to have an Audit Committee, which must be composed of at least three independent Directors. We established an Audit and Corporate Governance Committee pursuant to the unanimous resolutions adopted by our shareholders outside of a General Shareholders' Meeting in June 2013. As a result of the April 2023 committee restructuring plan, the Audit and Corporate Governance Committee was split into two committees and the Audit Committee was created. We believe that all the members of the Audit Committee are independent as defined by Mexican Securities Market Law and Exchange Act Rule 10A-3.

The Audit Committee's principal duties are to:

- Call Shareholders' Meetings and request the inclusion of matters on the agenda.
- Supervise and evaluate our external auditors and analyze their reports (including their opinion of our annual report).
- Analyze and supervise the preparation of our financial statements and make recommendations to the Board of Directors on their approval.
- Inform the Board of Directors of the status of our internal controls, our internal audit and their adequacy.
- Supervise the execution of related party transactions and transactions representing 20% or more of our consolidated assets being undertaken pursuant to applicable law.
- Render its opinion to the Board of Directors regarding transactions with related parties.
- Request reports from our executive officers or independent experts whenever it deems appropriate.
- Investigate and inform the Board of Directors of any irregularities that it may encounter.
- Receive and analyze recommendations and observations made by the shareholders, members of the Board of Directors, executive officers, or any third-party and take the necessary actions.
- Supervise the Chief Executive Officer's compliance with instructions provided by our Board of Directors or shareholders.
- Provide an annual report to the Board of Directors in respect of accounting policies and their sufficiency, adequacy, and consistency.
- Request opinions from independent third-party experts.
- Assist our Board of Directors in the preparation of reports for the Annual Shareholders' Meeting.
- Hire or recommend auditors to shareholders and approve them.

As of the date of this Report, the Audit Committee is composed of three independent Directors. The members of this committee are:

Name	Title
José Luis Fernández Fernández	Chairman and Independent Director
Joaquín Alberto Palomo Déneke	Independent Director
John A. Slowik	Independent Director

Corporate Governance Committee

The Mexican Securities Market Law requires us to have a Corporate Governance Committee, comprising at least three independent Directors. We established an Audit and Corporate Governance Committee under the unanimous resolutions adopted by our shareholders outside of a General Shareholders' Meeting in June 2013. As a result of the April 2023 Committee Restructuring Plan, the Audit and Corporate Governance Committee was split into two committees, and the Corporate Governance Committee was created. Additionally, the Compensations and Nominations Committee ceased to exist, and the Corporate Governance Committee assumed its compensation and nomination duties. We believe that all the members of the Corporate Governance Committee are independent as defined by Mexican Securities Market Law and Exchange Act Rule 10A-3.

The Corporate Governance Committee's principal duties are to:

- Call Shareholders' Meetings and request the inclusion of matters on the agenda.
- Supervise and report on the performance of our Chief Executive Officer and render opinions to our Board of Directors regarding his nomination election, removal, compensation, and related policies.
- Supervise and report on the performance of our officers to our Board of Directors and render opinions to our Board of Directors regarding their nomination, election, removal, compensation, and related policies.
- Submit proposals to the Board of Directors relating to the nomination or removal of officers within the first two corporate levels.
- Propose the remuneration schemes of the first four corporate levels of the Company or those determined by it, for approval of the Board of Directors.
- Assist our Board of Directors in the preparation of reports for the Annual Shareholders' Meeting.
- Consult with third-party experts in connection with any issues related to compensation, organizational development, and other related matters.
- Propose to the Board of Directors the adoption, modification or termination of any incentive plan for employees of the Company.
- Propose to our Board of Directors the entering, amendment or termination of any collective bargaining agreements.
- Inform our Board of Directors of relevant labor contingencies.
- Provide an annual report to the Board of Directors in respect of corporate governance and nomination and compensations matters.

As of the date of this Report, the Corporate Governance Committee is composed of three independent Directors. The current members of this Committee are:

Name	Title
Ricardo Maldonado Yáñez	Chairman and Independent Director
Mónica Aspe Bernal	Independent Director
Harry F. Krensky	Independent Director

SASB
TR-AL-520a.1

Our Working Groups

Volaris has six working groups that report to the Audit and the Corporate Governance Committees, or directly to the Board of Directors.

Ethics Working Group

The Ethics Working Group meets monthly. Its main duties are as follows:

- Promote a culture of ethics within the organization.
- Periodically review and update the standards of good business practices and those described in the Volaris Code of Ethics.
- Oversee the training plan on the culture of ethics for all Ambassadors.
- Provide guidelines to the organization to ensure that operating procedures comply with the Volaris Code of Ethics.
- Supervise compliance with the Volaris Code of Ethics, resolving any conflicts through effective and timely decision-making.
- Ensure that all reports of deviations and non-compliance with the Volaris Code of Ethics are timely addressed and received through the Volaris Ethics Line platform.
- Review and analyze the alleged controversies, conflicts of interest, and other Volaris Code of Ethics breaches.
- If required, propose sanctions and validate the corrective action plans related to substantiated Volaris Code of Ethics breaches.

The Ethics Working Group comprises the President and Chief Executive Officer, Chief Legal Officer, Chief Financial Officer, human resources director, internal audit director, and organizational development director. The Ethics Working Group reports to the Corporate Governance Committee, which in turn reports to the Board of Directors on the most relevant aspects of the Company's ethics for its knowledge and approval.

IT and Cybersecurity Working Group

The IT and Cybersecurity Working Group meets at least quarterly. Its primary 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 steps of the strategy.
- With the counsel of the internal audit department, report to the Audit Committee 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 Cybersecurity Working Group is made up of our Directors William Dean Donovan, Andrew Broderick, and Joaquín A. Palomo Déneke, and an external adviser, Jonathan Murray, with support of the President and Chief Executive Officer, the Executive Vice-President Airline Commercial and Operations, the Chief Financial Officer, the Chief Legal Officer, the internal audit director, the financial planning and controllership senior director, the controllership and compliance director, the technology and transformation senior director, the IT senior manager, the senior transformation manager, the IT internal control manager, the IT security manager, and the IT audit manager. The IT and Cybersecurity Working Group reports to the Audit Committee, which in turn reports to the Board of Directors on the most relevant aspects of the Company's IT and cybersecurity for its knowledge and approval.

Sustainability Working Group

The Sustainability Working Group meets, at least every quarter. Its primary duties are as follows:

- Ensure the implementation of the corporate sustainability strategy, approved by the Board of Directors.
- Keep the Company's management team informed in the recommendation of relevant decisions about ESG issues, considering the opinion of our stakeholders.
- Integrate sustainability into Volaris' business strategy, seeking to make it transversal to all business and support areas.
- Recommend decisions, with the information provided by the ESG Round Table, that favor the Company's corporate sustainability strategy and agree on ESG goals for the future.
- Report to the Corporate Governance Committee on its recommendations on ESG matters.

The Sustainability Working Group is comprised of the President and Chief Executive Officer, Executive Vice-President Airline Commercial and Operations, Chief Financial Officer, Chief Operating Officer, Chief Legal Officer, Chief Corporate Affairs and Sustainability Officer, and other guest directors. This working group reports to the Corporate Governance Committee, which in turn reports to the Board of Directors on the most relevant aspects of the Company's ESG matters for its knowledge and approval.

Compensation and Nominations Working Group

The Compensation and Nominations Working Group meets, at least every quarter. Its primary duties are to:

- Supervise and report on the performance of our Chief Executive Officer and render opinions to our Corporate Governance Committee regarding his nomination, election, removal, compensation, and related policies.
- Supervise and report on the performance of our officers to the Corporate Governance Committee and render opinions regarding their nomination, election, removal, compensation, and related policies.
- Submit proposals to the Corporate Governance Committee relating to the nomination or removal of officers within the first two corporate levels.
- Propose the remuneration schemes of the first four corporate levels of the Company or those determined by it, for approval of the Corporate Governance Committee.
- Consult with third-party experts on any issues related to compensation, organizational development, and other related matters.
- Propose to the Corporate Governance Committee the adoption, modification, or termination of any incentive plan for employees of the Company.
- Propose to our Corporate Governance Committee the entering into, amendment, or termination of any collective bargaining agreements.

The Compensations and Nominations Working Group comprises our Directors Marco Baldocchi Kriete, Brian A. Franke, and Harry F. Krensky. The Compensations and Nominations Working Group reports to the Corporate Governance Committee.

Corporate Affairs Working Group

The Corporate Affairs Working Group meets on an as-needed basis, and its duties are to analyze and advise the Board of Directors on corporate affairs matters. It is composed of our Directors Enrique J. Beltranena Mejicano, Mónica Aspe Bernal, Guadalupe Phillips Margain, and Ricardo Maldonado Yáñez. The Corporate Affairs Working Group reports to the Board of Directors directly.

Operations Working Group

The Operations Working Group meets at least every quarter, and its primary duties are to analyze, update, and provide recommendations to the Board of Directors on commercial, fleet, operations, and financing matters. It is composed of our Directors Brian H. Franke, Harry F. Krensky, William Dean Donovan, Stanley Pace, Marco Baldocchi Kriete, and Enrique J. Beltranena Mejicano. The Operations Working Group reports to the Board of Directors directly.

GRI
2-13

SASB
TR-AL-520a.1

Senior Management

Our Senior Management is comprised as follows:

Name	Age	Title
Enrique J. Beltranena Mejicano	60	President and Chief Executive Officer (CEO)
Holger Blankenstein	49	Executive Vice-President Airline Commercial and Operations
Jaime E. Pous Fernández	54	Chief Financial Officer (CFO)
José Luis Suárez Durán	55	Chief Operating Officer (COO)
José Alejandro de Iturbide Gutiérrez	57	Chief Legal Officer (CLO)
Jimmy Zadigue	50	Corporate Audit and Risk Assessment director
Dionisio A. Pérez-Jácome F.[21]	56	Chief Corporate Affairs and Sustainability Officer (CCASO)

[21] Dionisio A. Pérez-Jácome F., our Chief Corporate Affairs and Sustainability Officer, is not named in Item 6 Directors, Senior Management, and Employees of our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on April 28, 2023. However, Mr. Pérez-Jácome is named in this Report due to his position's particular relevance to our ESG efforts.

Profiles of our Senior Management

Enrique J. Beltranena Mejicano

— 60

Director, President and Chief Executive Officer of Volaris

Enrique Beltranena is one of our co-founders and 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, as well as the certification of the aeronautic authorities in Central America and Mexico and the compliance of the OACI regulation. 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. In 2017, he was president of the board of directors of IPADE-UP Business School. He is currently a member of the IATA Board of Governors, where he was a keynote speaker at the Flight Safety Foundation in 2018. In 2022, he participated as a mentor of IATA Board of Governors, to incorporate the vision of the CEOs in safety within aviation. In February 2022, he started as national counselor of the Coordinating Council of Women Entrepreneurs.

Holger Blankenstein

— 49

Executive Vice-President Airline Commercial and Operations

Holger Blankenstein has served as our Executive Vice-President, Airline Commercial and Operations, since 2018, in charge of our commercial, digital, operations, customer service, and maintenance areas. Prior to his current role, Blankenstein served as Chief Commercial Officer from 2009 to 2017, leading the areas of sales, marketing, planning, itineraries, revenue management, and cargo and leading the IT department. Blankenstein has been with us since our founding, in 2005, and was part of the team that took us 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 an M.B.A. from the University of Iowa.

Profiles of our Senior Management

Jaime E. Pous Fernández — 54

Chief Financial Officer

Jaime E. Pous has served as our Chief Financial Officer since 2021. He previously served as our interim Chief Financial Officer from June 2020. In 2013, he joined as our 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 *licenciatura* in law from the *Instituto Tecnológico Autónomo de México* and an LL.M. from the University of Texas at Austin, School of Law.

José Luis Suárez Durán — 55

Chief Operating Officer

José Luis Suárez 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 *licenciatura* in industrial engineering from the *Universidad Iberoamericana*, a degree in executive management from IPADE Business School, an M.S. in industrial engineering, and an M.B.A. from the University of Missouri, Columbia.

José Alejandro de Iturbide Gutiérrez — 57

Chief Legal Officer
Secretary of our Board of Directors

José Alejandro de Iturbide 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. de Iturbide received and holds a *licenciatura* in law from the *Universidad Nacional Autónoma de México* and an LL.M. from the University of Notre Dame, School of Law (program in London, England).

Profiles of our Senior Management

Jimmy Zadigue

— 50

Corporate Audit and Risk Assessment director

Jimmy Zadigue has served as our Corporate Audit and Risk Assessment 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 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 an M.S. in accounting sciences from the Université du Québec.

Dionisio A. Pérez-Jácome F.

— 56

Chief Corporate Affairs and Sustainability Officer

Dionisio A. Pérez-Jácome F. has served as our Chief Corporate Affairs and Sustainability Officer since 2022. Prior to joining us, he was president of Industrial Proximity Services, a firm dedicated to the provision of last-mile services (power, gas, water) to industrial clients in Mexico. He was also managing partner at Wamex Private Equity, a prestigious PE firm, and was managing director of Altor Capital I, S.C., a firm dedicated to financing infrastructure projects, through public-private partnerships (PPPs). He has served as secretary of communications and transportation of Mexico, as deputy secretary of expenditures in the Ministry of Finance, and as chief of advisers to the president of Mexico.

Mr. Pérez-Jácome has extensive experience in the energy sector, having served as chairman of the Energy Regulatory Commission (CRE), as head of the investment promotion unit of the Ministry of Energy, and as executive director of the State Steering Committee for the Capitalization of Non-Basic Petrochemical Companies. More recently, he served as ambassador of Mexico to Canada and as ambassador of Mexico to the OECD. He has been a management and public policy consultant and has taught courses in macroeconomics and public policy. He has master's degrees in public policy from Harvard University and in international management from *Instituto Tecnológico Autónomo de México* (ITAM), and a bachelor's degree in economics from ITAM.

GRI

2-13

SASB

TR-AL-520a.1

GRI
2-13

SASB
TR-AL-520a.1

Senior Management's primary duties are to:

- Comply with the agreements of the Shareholders' Meetings and of our Board of Directors.
- Submit business strategies for approval by the Board of Directors.
- Submit for approval of the Audit Committee the guidelines of the internal control system.
- Disseminate relevant information to the public.
- Comply with applicable laws concerning the repurchase and subsequent acquisitions of shares.
- Take action with respect to liabilities caused by us.
- Comply with the applicable legislation regarding the payment of dividends.
- Adequately maintain the internal accounting and registration control systems and mechanisms.
- 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.

Chief Executive Officer (CEO)

Our CEO has several responsibilities, among the most important are:

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

In addition, the CEO has an obligation to:

- Submit to the Board of Directors for approval of the Company's business strategies 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 of Directors mentioned above.
- Propose to the Audit 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 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 CEO 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 responsibilities. For this reason, they 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 for 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 Company's and a competitive remuneration through participation in various salary surveys.

Board of Directors Compensation

On April 21, 2023, the Annual Ordinary General Shareholders' Meeting approved the following compensation for the members of our Board of Directors:

GRI
2-19
2-20

SASB
TR-AL-520a.1

Chart 2. Compensation for the Board of Directors

Regulatory Body	Member	Fee Type	Compensation
Board of Directors	Chairman	Annual fee	Of U.S. **$150,000**[22]
		Attendance in person or remotely to a session	Of U.S. **$2,500**
	Non-Independent Proprietary Member	Annual fee	Of U.S. **$60,000**[22]
		Attendance in person	Of U.S. **$2,500**
		Remote assistance to a session	Of U.S. **$500**
	Independent Proprietary Member	Annual fee	Of U.S. **$60,000**[22]
		Attendance in person	Of U.S. **$2,500**
		Remote assistance to a session	Of U.S. **$500**
	Secretary	Annual fee	Of U.S. **$25,000**
		Attendance in person	Of U.S. **$2,500**
		Remote assistance to a session	Of U.S. **$500**
Audit Committee	Chairman	Annual fee	Of U.S. **$30,000**[22]
		Attendance in person	Of U.S. **$4,000**
		Remote assistance to a session	Of U.S. **$500**
	Proprietary Member	Attendance in person	Of U.S. **$4,000**
		Remote assistance to a session	Of U.S. **$500**
	Secretary	Attendance in person	Of U.S. **$1,000**
		Remote assistance to a session	Of U.S. **$500**
Corporate Governance Committee	Chairman	Annual fee	Of U.S. **$15,000**[22]
		Attendance in person	Of U.S. **$2,500**
		Remote assistance to a session	Of U.S. **$500**
	Proprietary Member	Attendance in person	Of U.S. **$2,500**
		Remote assistance to a session	Of U.S. **$500**
	Secretary	Attendance in person	Of U.S. **$1,000**
		Remote assistance to a session	Of U.S. **$500**

[22] The payment of such annual remuneration may be in cash or in kind (Company shares) at the Director's choice.

In the case of independent proprietary members of the Board of Directors, in addition to the remuneration described above, the Company grants them a stock plan, to align their interests with the Company's interests. Until April 2023, the plan comprised an annual stock purchase agreement under which the Director has a period of five years to exercise his/her option to pay a fixed purchase price, with the title to the shares transferring to the Board Member upon payment of such purchase price by the Director. As of May 2023, the plan comprises an annual equity-settled grant with a vesting period of one year. As of the grant date, the fair value of the transaction is fixed and is not adjusted by subsequent changes in the fair value of capital instruments.

For more information about our Directors' remuneration, please see the "Compensation" section of our 20-F.

Executive Compensation

The compensation package for Senior Management (including our CEO) is recommended for approval by our Corporate Governance Committee in collaboration with the Compensations and Nominations Working Group, 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, and listed on the stock exchange, among others.
- The American and European airline markets.

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 markets. Likewise, these markets determine variable compensation plans and long-term retention plans.

To encourage our Senior Management to achieve high-level results, between 70% and 75% of their total compensation is in short- and long-term variable compensation plans, based on the results of key financial, operational, and commercial metrics. In addition, some executives have variable compensation tied to environmental, social, and corporate governance factors including:

- The reduction of gCO_2/RPK
- Talent attraction and retention goals align with the business requirements for future growth and business continuity in the long-term, including our commitment to IATA's initiative 25by2025
- Compliance with national and international regulations (data privacy, labor, passenger rights, and industry, among others)

The long-term variable compensation plan consists of a restricted stock unit annual grant with a three-year vesting period (33% each year).

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

GRI
2-19
2-20

SASB
TR-AL-520a.1

GRI
3-3

SASB
TR-AL-520a.1

Addressing Risks and Opportunities

Risk Governance

Volaris' Board of Directors has ultimate oversight of risk management, including our progress against relevant goals and targets, via the Audit Committee. Business risk reports are presented to the Audit Committee quarterly and our most relevant risks are detailed annually in our 20-F Report. To identify, assess, treat, monitor, and report risks, we maintain three lines of defense:

The **Business Process Owners (BPOs),** the first line of defense, lead and direct resource allocation to achieve Volaris' objectives. The BPOs establish and maintain organizational structures for risk management and are responsible for reporting on the planned and actual outcomes of our efforts to address risks.

The **Controllership and Compliance area**, the second line of defense, monitors how known risks evolve by tracking adherence to current action plans and key risk indicators. The Controllership and Compliance team provides complementary expertise and support for risk management and facilitates the application of the COSO-ERM framework. Our Controllership and Compliance director is in charge of the risk management responsibility and reports quarterly to our Senior Management and the Audit Committee.

Our **Enterprise Risk Management (ERM) Group**, also part of the second line of defense, develops the structures, processes, and policies to establish comprehensive risk management within Volaris. They directly inform the Audit Committee and the Corporate Governance Committee about our risk profile and current action plans (including ones related to climate risk). The ERM Group aims to ensure Volaris' risk management approach is consistent, effective, and integrated across the organization. As a part of this process, the ERM Group ensures Volaris is adhering to the COSO-ERM framework and incorporating other emerging frameworks to handle specific business risks.

The **Internal Audit area**, the third line of defense, provides independent and objective assurance to management, the Audit Committee, the Corporate Governance Committee, and the Board of Directors on the effectiveness of governance and risk management (including climate risks). This includes ensuring that the first and second line's efforts meet requirements and accomplish organizational objectives. The Internal Audit team is responsible for reporting deviations from sustainability frameworks (including climate change) to facilitate continuous improvement. Internal Audit answers directly to the organization's governing body and maintains independence from day-to-day management responsibilities.

Risk Management Processes

Volaris operations are subject to changes in regulations, economic conditions, political and social events, technology changes, and climate change, among others, related to the countries where we operate, our industry, and our business.

Our risk management process aims to identify, assess, monitor, and communicate risks to internal and external stakeholders as appropriate so that they can be managed accordingly.

For this reason, the Company manages its risks and opportunities through international frameworks, including:

- Committee of Sponsoring Organizations of the Treadway Commission (COSO) – a reference standard that contains the main guidelines for the implementation and management of a control system.
- COSO Enterprise Risk Management (ERM) – an integrated framework for the management of business risks.
- Control Objectives for Information and Related Technologies (COBIT) – a reference framework aimed at the control and supervision of information technologies.

Risk governance at Volaris includes supervision by the Board of Directors, the Audit Committee, and the Company's Senior Management. In addition, the Control and Compliance area oversees the Company's risk management efforts. Our President and Chief Executive Officer and our 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 Committee.

In 2022, the risk reports (operational, financial, strategic, and compliance) and action plans were included during the quarterly meetings of the Board of Directors. Likewise, the business risk reports, based on the COSO ERM framework, were presented to the former Audit and Corporate Governance Committee[23] 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 expressed an unqualified opinion.

GRI
3-3

SASB
TR-AL-520a.1

[23] This Committee was split in April 2023.

GRI
3-3

SASB
TR-AL-520a.1

Key Risks[24]

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

Risks related to Mexico and the other countries in which we operate

- Economic, political, and social events and changes in Mexican government policy: Governmental actions and policies concerning air transportation and similar services could have a significant impact on our operations.
- Adverse macroeconomic conditions, as a slowdown or recession in the economy or higher inflation rates, in Mexico and the other countries in which we operate, may affect our business and result in a demand decrease, lower fares, etc.
- Currency fluctuations of the U.S. dollar in relation to the Mexican peso could potentially lead to reduced demand for our services.
- Changes in government regulations related to airline safety and security and shifts in political leadership and economic policies can adversely affect our financial condition and results of operations.
- Downgrade of IASA rating: In May 2021, Mexico's IASA rating was downgraded from Category 1 to Category 2. This downgrade has prevented us from adding new aircraft, services, or routes to the United States, adversely affecting our business, results of operations, and financial condition.

Risks related to the airline industry

- Competition: We operate in an extremely competitive industry, regarding routes, fares, services, and airport slots. We also compete with the bus services on many of our routes. Decisions by our competitors may have the potential to negatively impact our business.
- Unfavorable economic conditions have the potential to negatively impact our ability to offset increased fuel, labor, or other costs through price increases. This may result in a material adverse effect on our business, financial condition, and results of operations.
- It is essential that we maintain the necessary concessions and authorizations from U.S., Mexican, Central American, and South American governmental bodies. Failure to do so could have a significant negative impact on our financial condition and results of operations.
- As an airline, we face significant challenges in quickly reducing costs in response to unexpected revenue shortfalls, mainly due to high fixed costs associated with the airline industry.
- Fuel costs have a significant impact on the airline industry, as it represents a considerable portion of operating expenses for airlines. Our ability to pass on such fuel cost increases to our customers is limited by our ultra-low-cost business model.
- Public health threats: Infectious disease outbreaks, such as COVID-19, have led to the suspension of both domestic and international flights in the past, and changes in travel behavior. As a result, we may have adverse effects on our business, results of operations, and financial condition.
- Increasing attention to, and scrutiny of, ESG matters could increase our costs, harm our reputation, or otherwise adversely impact our business.

Risks related to our business

- Ultra-low-cost structure: Our competitive advantage lies in our ultra-low-cost structure, which is subject to various factors that may impact our ability to control costs, some of which are beyond our control. Our success relies on high aircraft utilization rate and our non-passenger revenue.
- Maintenance costs: Although our fleet has a relatively young average age of 5.4 years, as our fleet ages, we expect an increase in maintenance costs. Any significant change would have a material adverse effect on our margins, results of operations, and financial condition.
- Dependence on certain airports: Our business relies heavily on our routes to and from major airports in Mexico City, Tijuana, Guadalajara, and Cancun. Any major increase in competition, loss of any of our slots, a decrease in demand for air travel, or disruptions in airport services or fuel supply could potentially have a negative impact on our business, financial condition, and operating results.
- Limited suppliers: We rely on a limited number of suppliers for fuel, aircraft, and engines.

[24] Please refer to our current 20-F for more detail on our key risks.

Climate-Related Risks and Opportunities

In April 2023, we published our inaugural Task Force on Climate-Related Financial Disclosures (TCFD) Report to provide further insight into how Volaris plans to assess and manage risks and opportunities related to climate change.

Climate change can impact our business, associated strategy, and ultimately our financial outlook through a combination of risks including, but not limited to, acute physical risks, such as an increase in frequency and severity of extreme weather, regulatory developments, or shifts in customer behavior, and opportunities, such as the implementation of more fuel-efficient technologies throughout our fleet.

Looking ahead, we plan to build on this foundational Report and enhance our associated governance, strategy, risk management process, and related disclosure. Please see the full TCFD Report, available on our website, for more information.

2022 TCFD Report

Board Training in ESG Risks and Opportunities

In February 2023, the Volaris Board of Directors and other members of our Senior Management participated in training sessions about the current state of ESG matters, including challenges, regulations, and expectations for Directors members. Facilitated by a third-party expert in ESG principles, the training provided an external perspective on ESG priorities for Volaris in the upcoming years.

GRI
2-17
3-3
201-2

SASB
TR-AL-520a.1

Ethics and Compliance

We work under a culture of ethics and compliance, which guides all Ambassadors' behaviors and labor relationships. We have a set of policies and tools to align ourselves with this culture, including the Volaris Code of Ethics, the Volaris Supplier's Ethics Policy, and the Volaris Ethics Line, as well as other internal policies and guidelines to prevent acts of corruption, conflicts of interest, and money laundering, among others.

Ethics Culture

Volaris Code of Ethics

The Volaris Code of Ethics[25] establishes our fundamental values, standards, and culture. The Code addresses, among others, the following topics:

- Health and occupational safety in the workplace.
- Equal opportunities and non-discrimination and protection of human rights, including the rejection of children and forced labor .
- Anti-corruption practices.
- Practices to prevent conflicts of interest.
- Practices to prevent money laundering.
- Rejection of labor harassment, and abuse.
- Protection of the environment.
- Elements necessary to offer better service to customers.
- Prohibition of unfair competition practices.
- Responsible management of the supply chain.

All Ambassadors must know and comply with the guidelines of the Volaris Code of Ethics and are trained annually in the content of this document (full-time, part-time employees, and Senior Management). **In 2022, 100% of the Ambassadors were trained in the Volaris Code of Ethics**[26]. Our current Code of Ethics was approved by the Corporate Governance and Audit Committee. Moving forward, updates to this document must be approved by the Corporate Governance Committee.

Volaris Suppliers' Ethics Policy

The Volaris Suppliers' Ethics Policy is a document based on the Volaris Code of Ethics, through which we strive to establish a collaborative framework between Volaris and our general procurement suppliers, to promote strong, lasting, and mutually beneficial business relationships. The Volaris Suppliers' Ethics Policy aims to integrate ESG practices into our supply chain, create value in mutual trust and long-term relationships, and ensure that our suppliers comply with ethical and legal standards.

For more information about this Policy, please see page 69, "Supply Chain Management."

[25] See the Volaris Code of Ethics. (https://api.mziq.com/mzfilemanager/v2/d/ea52c1bb-e8e2-457e-820a-98ca17753a37/e13e729f-3750-401d-bff3-42b8edcaf498?origin=1)

[26] 100% of the active population of Ambassadors at Volaris at that time were trained in the Volaris Code of Ethics. In December 2022, 95% of the total number of Ambassadors (7,364) were trained in the Volaris Code of Ethics.

Other Key Compliance Policies and Principles

Our Code of Ethics is supported by related policies reinforcing our commitment to sound business practices. These additional policies include our:

01

- **Immunity Policy.** Protects people who report any security infringement at Volaris.

02

- **Conflict of Interest Policy Due to Kinship.** Establishes the procedure for avoiding and solving possible conflicts of interest that may arise in the organization.

03

- **Son-Grandfather Principle.** 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.

04

- **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). Their 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, among others.

05

- **Gifts and Benefits from Suppliers or Third Parties Policy.** 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.

06

- **Gifts and Benefits to Suppliers and Third Parties Policy.** Establishes the guidelines for Volaris to grant gifts to third parties, in compliance with the applicable law. Hence, it is forbidden to grant gifts or benefits to suppliers or third parties for practices related to bribes, illicit payments, or undue commissions.

07

- **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* and *Donaciones con Causa programs.*

08

- **Interpersonal Relations Policy.** Expands and reinforces the concept of conflict of interest mentioned in the Volaris Code of Ethics and ensures that the correct procedure is followed on how to proceed in the event of a sentimental or sexual relationship with Ambassadors or suppliers.

GRI
2-24

SASB
TR-AL-520a.1

We provide annual mandatory training in anti-corruption practices for those Ambassadors who are exposed to any risk related to acts of corruption. **In 2022, 672 Ambassadors completed the anti-corruption training[27], which represents 100% of the positions the Company has detected with high exposure to possible corruption acts.**

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 other stakeholders can report any suspected non-compliance related to the Volaris Code of Ethics, the Volaris Supplier's Ethics Policy, or other internal policies and principles.

Procedure for reporting to the Volaris Ethics Line

01
- Receipt of the report or anonymous complaint through any channel of the Volaris Ethics Line.

02
- Attention, management, and advice on the case.

03
- An investigation of the case is carried out, and a recommendation or advice is made on the case.

04
- If necessary, corrective and preventive measures are applied for future cases.

The Ethics Working Group receives a monthly summary of the cases reported and investigated, as well as recommendations or advice related to the cases. If any of the Ethics Working Group members consider it pertinent, an in-person session to discuss the case(s) and the corresponding recommendations may also be scheduled. In addition, the Ethics Working Group informs the Corporate Governance Committee about these reports at its ordinary meetings.

Some of the benefits of the Volaris Ethics Line:

- Strengthens the culture of ethics, integrity, and compliance with the Volaris Code of Ethics, Volaris Supplier's Ethics Policy, and internal policies and principles.
- Provides confidentiality to those who report, since the process is managed by an external third-party independent of Volaris.
- Promotes respect among Ambassadors and individual development of people.
- Acts as a deterrent by reducing unethical behavior.
- Helps reduce employee turnover and improve the work environment.
- Promotes a workplace free of violence and discrimination.
- Reduces the risk of economic losses for the Company, by minimizing risks of bribery, fraud, corruption, and ESG litigation.
- Contributes to compliance with the Sarbanes Oxley Act and other applicable legislation.

In 2022, the Volaris Ethics Line processed 189 reports (equivalent to 2.16 reports per 100 Ambassadors[28]). Most of the cases were related to our labor environment and improper use of assets.

[27] 100% of the active population of Ambassadors at Volaris at that time of the training and the selected group of Ambassadors.

[28] Calculated using the formula T=(N/P) *100, where T = the Volaris Ethics Line reports rate per 100 Ambassadors, N = total number of reports, and P = total population of Ambassadors.

GRI
2-16
2-24
2-25
2-26
SASB
TR-AL-520a.1

We also received a small number of reports related to non-material and unsubstantiated fraud issues. As of the date of this Report, 100% of the 2022 reports are closed. The corrective actions that resulted from the investigation of these cases included: feedback to the parties, formal coaching programs, and verbal and written warnings, up to the termination of the labor contract, always in compliance with federal, state, and local labor laws.

Because we have a zero-tolerance policy for corruption, our internal audit team conducts a quarterly review of our anti-corruption practices regarding the links with government officials or politically exposed persons; a yearly antifraud audit procedure, and, on a two-year cycle, a Foreign Corrupt Practices Act (FCPA) compliance review.

Regulatory Compliance

The aviation industry is highly regulated due to its impact on public safety, security, international relations, and the environment, among others. There are numerous regulations and standards that we must comply, as a public Company, with regulations of NYSE, SEC, BMV, and CNBV, as well as with the regulations in the countries where we operate, to ensure our operational continuity and maintain trust with passengers, regulators, and other stakeholders. Due to our strong commitment to regulatory compliance, **during fiscal year 2022, in accordance with our financial reporting practices, we did not have any significant fines or non-monetary sanctions for non-compliance with environmental regulations, anti-competitive behavior and antitrust practices, health and occupational safety regulations, misleading or inaccurate advertisement, or customer privacy regulations.**

Building strong relationships and engaging with key stakeholders is crucial to navigate regulations, influence decision-making processes, position the Company for sustainable growth, effectively address potential challenges, and promote our interests for the benefit of Volaris and the industry.

GRI

2-16
2-25
2-26
2-27
3-3
416-2
417-2
417-3
418-1

SASB

TR-AL-520a.1

GRI
2-28

SASB
TR-AL-520a.1

Political Contributions

By engaging with industry organizations and regulators, we enhance Volaris' reputation by demonstrating our commitment to compliance and contributing to the overall development and success of the aviation sector.

Volaris is a member of the International Air Transport Association (IATA), which aims to lead and represent the airline industry globally by formulating policies on relevant issues to the sector. Since 2021, our President and Chief Executive Officer has been a member of the Board of Governors of IATA, which is IATA's main governing body. Its members exercise oversight and an executive role on behalf of the membership in representing the interests of the association.

Volaris does not make any type of economic or other contribution to political campaigns, political organizations, lobbying organizations, or 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.

Supply Chain Management

The relationship with all our suppliers is fundamental to the Company's performance, growth, and business sustainability. Volaris and our suppliers share a mutual commitment to behave ethically, adapt quickly to extraordinary events, and work toward the sustainable development of our businesses.

In 2022, we had 2,659 suppliers, 310 new to Volaris.

Chart 3. Supplier spend in 2022

	National	Foreign	Total
Suppliers (products and services)	1,506	1,153	2,659
Value/payments of products and services (U.S. $million)	$1,685	$1,213	$2,898
Share of total supplier spend	58%	42%	100%

Chart 4. Type of suppliers in 2022

Type of Supplier	Number	Share of Total Suppliers' Spend (%)[29]
Total Tier 1[30]	566	76%
Critical[31] Tier 1	132	71%
Critical non-Tier 1[32]	23	0.1%

Our procurement strategy aims to promote the supply of goods and services necessary for operational continuity. The strategy has the following priorities:

1. Reduce costs and optimize resources while maintaining the highest standards of operational efficiency in our core business.
2. Responsibly manage the supply chain, through our Responsible Supply Chain Management Model and our Suppliers' Evaluation and Certification Program, which are based on international standards and indicators.
3. Adopt mechanisms for enhanced transparency in all procurement operations.
4. Develop resilient practices with our supply chain.

[29] Percentages related to fully executed spend by general procurement suppliers. The rest of the suppliers' spending is not included.
[30] Tier 1 suppliers refer to suppliers that directly supply goods, materials, or services related to our core business.
[31] Critical suppliers are those identified as having significant business relevance to the Company; we cannot continue our operations without them.
[32] Critical non-Tier 1 suppliers refer to those indirect vendors that could be replaceable without affecting the business continuity.

GRI
2-6
2-24
204-1

SASB
TR-AL-520a.1

We developed a **Responsible Supply Chain Management Model** to strengthen our relationships with our suppliers and share the importance of ESG issues in generating shared value for our stakeholders. This is being implemented as a phased approach as we build out our internal processes and systems to track supplier practices, risk, and compliance. Moreover, we have implemented a Suppliers' Evaluation and Certification Program to address risk management in our supply chain and help our suppliers to improve their ESG practices, through training and implementation of corrective plans. Both are overseen by our Senior Management through the Sustainability Working Group.

Figure 1. Volaris Responsible Supply Chain Management Model

Figure 2. Phases of the Volaris Responsible Supply Chain Management Model

SASB
TR-AL-520a.1

In 2022, we continued the implementation of Phase 2 of the Responsible Supply Chain Management Model, focused on the incorporation of ESG criteria into our supplier management process. Key milestones achieved included:

01

Our general procurement team received training related to relevant ESG issues and their impact on our supply chain, as well as on incorporating ESG factors into supplier evaluation and selection.

02

We conducted a risk assessment of certain suppliers, to strengthen the analysis we conducted in previous years, and determine the suppliers' criticality and impact on our business model.

03

We included legal clauses related to ESG practices in certain contracts and purchase orders with our suppliers.

04

Our new general procurement suppliers were aware of the Volaris Suppliers' Ethics Policy, which is publicly available on our webpage.

ir.volaris.com

As mentioned in this chapter, the Volaris Suppliers' Ethics Policy sets expectations related to human and labor rights, freedom of association, environmental protection, business ethics, and transparency, among other issues. **New suppliers must acknowledge this Policy to provide services to the Company.**

Supplier Risk and ESG Evaluations

In 2022, we conducted a comprehensive risk assessment[33] of our suppliers. This assessment focused on 420 general procurement suppliers with whom we spend more than U.S. $100,000 annually each. These suppliers were classified with a risk rating of 1 to 5, with 1 representing the lowest risk and 5 indicating the highest risk. The classification of a supplier's risk considered several factors, such as annual commercial transactions, market competitiveness, and complexity of supplier replacement. According to this evaluation, 88 out of the 420 suppliers evaluated are considered a high risk to our business continuity.

Furthermore, we conducted a voluntary assessment of the ESG practices of the same group of 420 suppliers. Approximately, 7% of the suppliers (31 suppliers) completed this evaluation, and 6% of them (25 suppliers) completed the evaluation including the ESG topics. This assessment was based on a survey covering aspects such as compliance, economic, financial, and ESG practices. In the following years, we plan to utilize the results of this survey to implement corrective action plans and certifications for our suppliers to improve their management of key ESG risks and opportunities.

GRI
2-24

SASB
TR-AL-520a.1

[33] The assessment comprises 20% of the questions to ESG topics.

This is just the beginning...

to continue creating new **travel experiences**

04 Our Customers

GRI
2-25, 3-3, 416-1, 418-1

SASB
TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

~4% of our surveyed customers were first-time flyers

79.4% of tickets sales throught website and mobile app

90.4% of passengers carried out check-in online

Our Customers

Since Volaris' inception in 2006, we have focused on democratizing air travel through our ultra-low-cost business model by offering affordable options to a wide range of passengers. Thanks to the trust of the more than 189 million passengers that have chosen Volaris as their air travel option, we are now the Latin America's largest ULCC.

Our success depends on delivering on all aspects of the customer experience, including operational efficiency, low fares and extensive customer choice, safety performance, efficient self-service, crisis resilience, and respect for customers' rights including their privacy and data security. We strive to offer travel experiences to our customer base, including those Visiting Friends and Relatives (VFR), price-conscious business travelers, and leisure travelers.

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

Operational Efficiency

During 2022, we incorporated 16 net NEO aircraft and, with an operational efficiency strategy, we generated financial, commercial, and operational benefits for our customers and the Company. In 2022, we were able to offer our customers an average of **529 daily departures** (total departures 193,050), with an itinerary compliance factor of 98.3%, an **on-time performance of 71.2%,** and an average fleet utilization of 13.3 block hours per day per aircraft[34], which enabled us to operate more flights and offer our passengers the flexibility of choosing from a wider itinerary. For example, we offer red-eye flight options to several destinations to attract customers who want to save on lodging costs.

Moreover, passenger demand increased by 27% revenue passenger miles (RPM), compared to 2021. Volaris maintained a load factor of 85.6% in 2022, a 0.9pp increase from 2021.

In addition, we care for our customers' satisfaction by correctly managing their luggage. During 2022, our rate of baggage incidents[35], classified as loss, damage, or theft of baggage, was 0.7. Also, we implemented training initiatives on baggage handling services for our airports' staff and we strengthened the organization of the ground operations department by increasing the headcount. In 2023, we plan to implement a new system to improve our baggage handling service, reduce baggage incidents, and promote self-baggage service.

Chart 5. Operational efficiency indicators

	2019	2020	2021	2022
Routes	197	170	183	**197**
Load factor onboard[36]	81.9%	71.6%	78.3%	**80.0%**
Load factor booked[37]	85.9%	79.9%	84.7%	**85.6%**
On-time performance	79.2%	87.9%	77.3%	**71.2%**
On-time performance w/o external contingencies[38]	92.4%	95.0%	89.7%	**87.4%**
Itinerary compliance factor	97.6%	94.6%	97.5%	**98.3%**
Average daily aircraft utilization (block hours)	12.9 hrs	11.3 hrs	12.5 hrs	**13.3 hrs**
Baggage incidents	1.0	0.6	0.5	**0.7**
Revenue passenger kilometers (RPK onboard[39])	32,267	21,209	35,428	**45,451**
Revenue ton kilometers[40]	2,843	1,920	3,203	**4,120**

In 2022, weather contingencies in Tijuana and slot restrictions in Mexico City International Airport (AICM) impacted the customer experience at these airports, causing an increase in baggage incidents and a decrease in our on-time performance.

[36] Load factor onboard measures the number of paying passengers without the no-show.

[37] Load factor booked is related to all the paying passengers.

[38] Refers to on-time performance when excluding external factors outside of Volaris' control, e.g., weather or air traffic.

[39] GRI 2-4: The 2019, 2020, and 2021 RPK onboard was reported as 109.04, 82.32, and 106.68 respectively, instead should have been 32,267, 21,209, and 35,428 respectively, due to an editing error.

[40] GRI 2-4: The 2019, 2020, and 2021 revenue ton kilometers was reported as 0.0087, 0.007, and 0.0085 respectively, instead should have been 2,843, 1,920, and 3,203 respectively, due to an editing error.

[34] The actual elapsed time of a Completed Scheduled Flight measured from gate departure to gate arrival.

[35] The baggage incident rate represents one incident per thousand passengers (one incident per 1,000 passengers). For more information, consult the IATA Baggage Reference Manual (BRM).

GRI

2-4
3-3

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

Commercial Benefits

We strive to offer flight tickets at very low fares to stimulate demand and a wide range of additional services to allow our customers to customize their trip and pay for only what they need, without neglecting the quality of service. We use a revenue management system to maximize our business efficiency. Factors such as historical booking history, seasonality, competitive effects, and current booking trends are used to forecast demand, which allows our customers to travel all year.

In 2022, our average base fare was U.S. $54, and we regularly offer promotional base fares down to U.S. $3.9.

Additionally, for some of our routes, **we set base fares that are lower than bus lines' fares for travel to the same destinations (bus switching strategy), and on some routes, we only compete with bus lines. In 2022, we faced no competition from any other carrier on over 45% of our routes.** This strategy seeks to stimulate demand for air transportation and allow customers the opportunity to switch from bus to air travel, allowing them to reach their destinations more quickly and safely. **In 2022, approximately 4% of our surveyed customers were first-time flyers.**

Moreover, our customers can pay for their tickets with different payment methods to allow them to have access to our air transportation services, such as credit or debit cards and cash at an eligible bank or store within 24 hours of booking. Allowing customers to pay for their reservation in cash ensures that our services are accessible to those who do not have cards or prefer not to use them. Also, we have developed programs to strengthen the affinity of our frequent customers and offer them special fares and promos.

In January 2023, Volaris announced a new agreement with Fomento Económico Mexicano (FEMSA) to become the first third-party partner of FEMSA's coalition affinity program. This program will offer exclusive benefits for its users, allowing them to accrue and redeem reward points with partners that are part of the coalition, Volaris, and other future allies.

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

Other Volaris affinity and benefits programs[41]:

v.club Membership

This membership offers the lowest available fares. v.club membership is available at three levels: individual, duo, and friends and family. Some of the benefits of this membership are:

- **Lowest available fares on all flights**
- **Savings up to 20% discount**
- **Exclusive discounts for hotel and vacation packages at *Ya Vas***
- **Exclusive promotions every Thursday**

At the end of 2022, v.club had approximately 756,000 members.

Volaris INVEX Credit Cards

Volaris offers three credit card options – INVEX 0, INVEX, and INVEX 2.0. While the benefits program for each card varies, all cardholders enjoy:

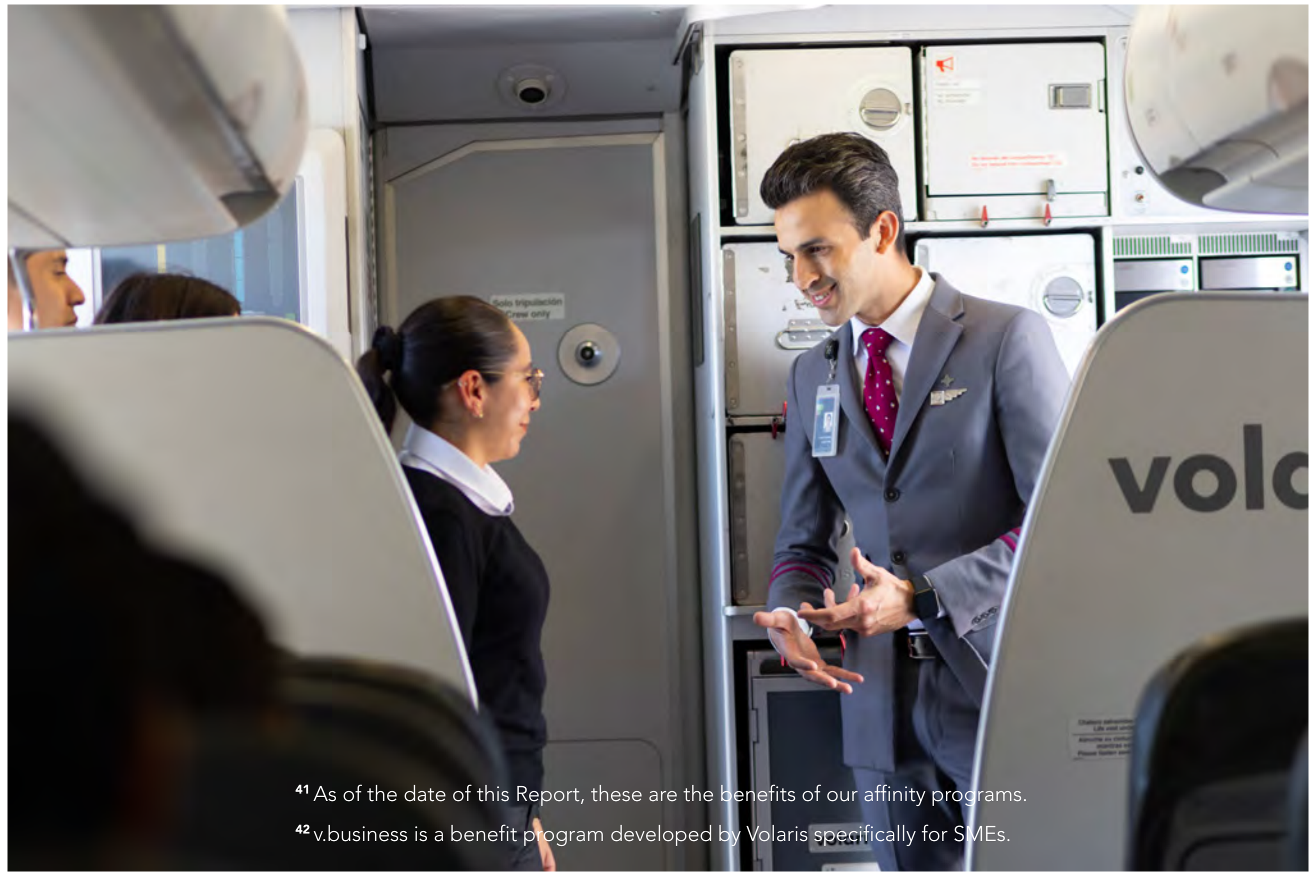
- **Welcome free flight (taxes not included)**
- **Priority boarding**
- **Additional checked bag**
- **Monthly installment plans with no interest rates**
- **15% bonus on the purchase of inflight food and beverages**

At the end of 2022, our co-branded credit card with INVEX had approximately 500,000 holders.

v.pass Subscription

v.pass is a subscription service with an annual or monthly payment that enables customers to travel to any location within Mexico once a month and pay only taxes. v.pass members have access to free v.club membership.

At the end of 2022, v.pass had approximately 60,000 members.



[41] As of the date of this Report, these are the benefits of our affinity programs.

[42] v.business is a benefit program developed by Volaris specifically for SMEs.

v.business Membership[42]

This membership has special benefits for business travelers, such as:

- **Unlimited changes in the date/time of their flight**
- **Make your flight reservation, and pay it 24 hours later, keeping the same rate**
- **Extra weight in baggage onboard with no additional charge**
- **Same-day change for an earlier flight**
- **Priority boarding**
- **Selection of desire seat (except the emergency exit)**

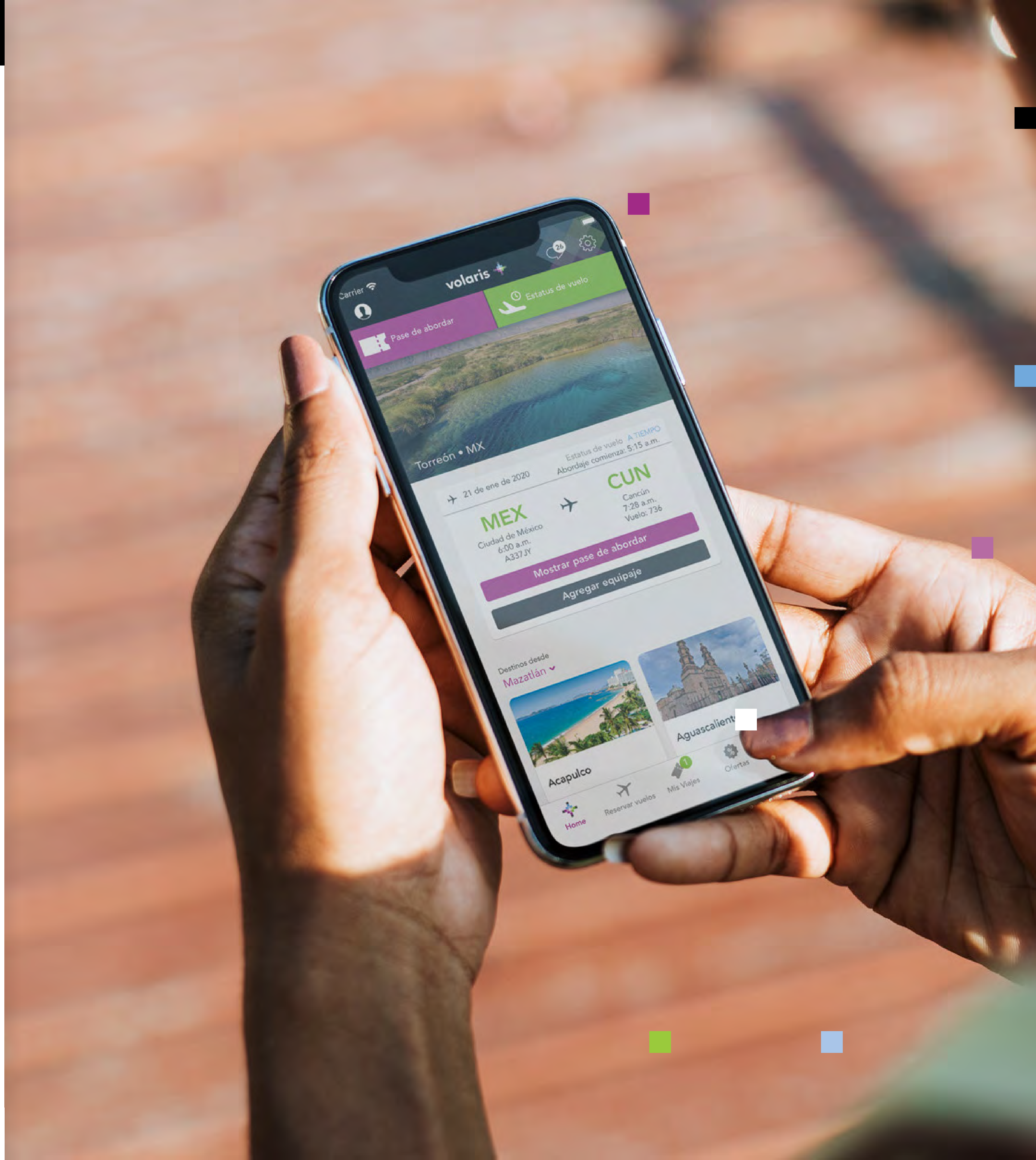
At the end of 2022, v.business had approximately 4,100 members.

GRI

3-3

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E



Digital Customer Experience

We seek to provide the best possible experience for our customers to meet their expectations and satisfy their travel needs, which could enable us to have our passengers' loyalty, and, at the same time, attract new ones.

At Volaris, we appreciate our diverse customers' profiles and their need for a customized experience. We try to make it easy for our customers to purchase services, make changes to their reservations, and resolve issues that arise during their travel. Moreover, we seek to have direct and accessible communication with our customers.

We have customer service tools, including:

01 Self-service strategy.

Together with the omnichannel initiative, this strategy allows our customers to have access to enhancing their travel experience in several ways:

- Travel arrangements anytime and anywhere.
- Flight booking, check-in, seat selection, and baggage handling, through our mobile app or our website.
- Live information regarding flight status, including gate changes, delays, and cancellations.
- Paperless processes, promoting environmental sustainability.

In 2022, the percentage of customers that used our self-service options was 78%.

Our omnichannel initiative, which includes our official channels (webpage, social media platforms, and Chatbot), enables us to receive and attend to our customers' requests, and offer them exclusive discounts and promos. In 2022, Volaris received over 6.5 million customers' requests, of which, 68% were through digital channels. Moreover, in the same period, we received 3 million Chatbot incoming sessions, of which we had a containment rate[43] of 84%.

In addition, our products and services are sold through four main channels: 1) our website (www.volaris.com) and our mobile app; 2) our call center; 3) our airport counters, and 4) through third-parties, such as travel agencies. Our goal is to make booking, check-in, itinerary changes, and other self-service options as easy and accessible as possible. In 2022, our digital channels were the main platforms for the sale of flight tickets and ancillaries: **79.4% of ticket and additional product (ancillaries) sales were made through our website and mobile app, and 90.4% of passengers carried out check-in online.**

By the end of 2022, our mobile app had been downloaded 43.1 million times since its launch.

Chart 6: Ticket sales by channel in 2022

Channel	Sales
Website and mobile app	79.4%
Call center	2.4%
Travel agents	17.4%
Airport counters	0.8%

[43] Refers to the percentage of users who interact with an automated service and leave without speaking to a live human agent.

02 Training programs, such as SOS program training.

The main objective of this program is to give our Ambassadors tools to handle our customers' cases and provide them with timely service. In 2022, we enhanced the SOS program training in all airports, through the E-learning Customer Service course.

03 Certifications, such as the Complaint Resolution Official (CRO) designation under the US Code of Federal Regulations.

This certification provides tools to give a good service to our customers with disabilities in airports (call center, onboard services, digital services, etc.). Additionally, for those customers who require special services, we provide personalized cabin support and the option of assistance for unaccompanied minors and senior citizens.

04 Attention channels for complaints.

These channels are available to attend and solve our customers' claims 365 days a year:

- ***Línea Express* (express solutions channel).** We provide internal support to our Ambassadors in airports to give solutions to our customers.
- ***Conciliaexprés* (conciliation channel).** This channel enables us to address our customers' complaints once they reach the Mexican consumer protection authority (PROFECO). In 2022, we were able to resolve most of the complaints we received through this channel.

Also, to improve our customer service quality, during 2022, we published infographics to communicate check-in and boarding processes; we monitored any topic that could affect our customers, so we could anticipate the solution and mitigate the impact; and we implemented focus groups and surveys to understand our customers' expectations about Volaris' service, among others.

During 2023, we plan to implement several new customer service initiatives in line with the customer service strategy we developed in 2022. We will use focus groups; implement the automation of refunds and vouchers; implement customer service courses for our Ambassadors through a digital platform; and implement the World Tracer System, a tool that allows our customers to trace their baggage and the generate a Passenger Irregularity Report.

To measure loyalty, satisfaction, and the likelihood that our customers will recommend Volaris to others, we utilize Net Promoter Score (NPS) surveys, which consider topics such as our customers' experience with their ticket purchase, check-in and boarding processes, and baggage handling.

In 2022, our NPS index was 21.3%[44].

In December 2022, weather contingencies in Tijuana and slots restrictions in Mexico City International Airport (AICM) partially impacted the customer experience at these airports. These factors are the main reasons for the variation in the NPS index results vs. 2021 (26.8%). Since the date of the events, the Company has been taking actions to better serve our customers when these major high-impact events occur. We are working to improve systems in Tijuana to mitigate weather impact. Also, we are managing slot normativity to ensure that slots and itineraries perfectly match, through operations reduction, and mitigating impacts of routes' change, among others.

[44] In December 2022, weather contingencies in Tijuana and slot restrictions at Mexico City International Airport (AICM) partially impacted the customer experience at these airports, resulting in the variation in the NPS index results vs. 2021 (26.8%). Since the date of the events, the Company has been taking actions to better serve our customers when major high-impact events occur. We are working to improve systems in Tijuana to mitigate weather impact. Also, we are managing slot normativity to ensure that slots and itineraries perfectly match, through operations reduction, and mitigating impacts of routes' change, and more.

GRI
3-3
2-25

SASB
TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

GRI

3-3
416-1

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

Aviation Security and Safety

We place **aviation security and safety** as the highest priority throughout all our operations, as both are priorities for our stakeholders (see ESG materiality assessment matrix on page 25) and are essential for building customers' trust, safeguarding our Ambassadors and passengers' integrity, protecting our reputation, fostering international cooperation, improving operational efficiency, maintaining regulatory compliance, and avoiding financial consequences, among others.

Volaris utilizes an Integrated Management System based on ISO 9001 and the IATA Operational Safety Audit (IOSA) Standards Manual.

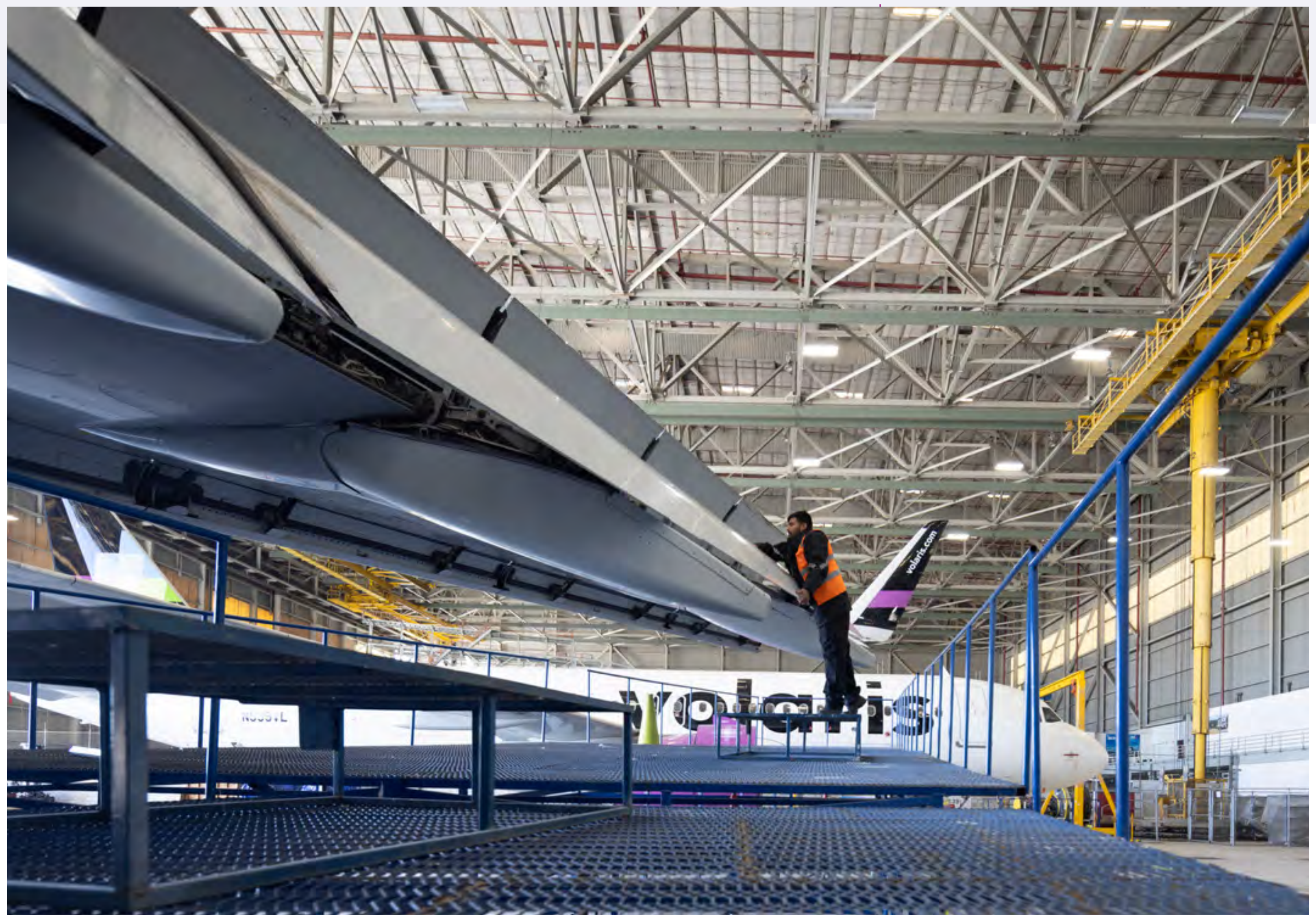
The system includes the following subsystems:

- Quality Management System (QMS).
- Operational Safety Management System (SMS, Safety Management System).
- Security Management System (SeMS implemented in Volaris operation even as it is not mandatory by the authorities of our States of register).
- Environmental Management System (EMS).

Aviation Security

We have standardized aviation security processes to allow security personnel to screen our passengers and Ambassadors efficiently and to comply with regulations and protocols. Some of the security procedures we have in place include:

- Aircraft security screening and surveillance.
- Procedures for reviewing security threats and unlawful interference acts.
- Strict screening of cargo, passengers and their belongings.
- Secure Stage II cabin doors.



In addition, our operational Ambassadors are trained to take an active role in identifying, reducing, and eliminating risks related to aviation security threats. Our operational Ambassadors and contractors must periodically undergo training in the use of the equipment and 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 safely and efficiently.

We also address issues such as national and international human rights, customer service, baggage and passenger screening, security event reporting, and confidentiality of sensitive information.

We collaborate with civil aviation authorities in all countries where we operate to ensure adequate security measures for our personnel, customers, equipment, and facilities, which are carried out throughout our operation.

GRI

3-3
416-1

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

Safety

At Volaris, our top priority is safety to ensure the well-being of our customers and Ambassadors at all stages of the flight. To reach this main objective, we have a Safety Management System (SMS) that complies with the ICAO, IATA regulatory frameworks, and national and international regulations. The SMS enables us to identify and mitigate hazards and safety risks, incorporating methods to identify, evaluate, and mitigate the causes of aviation incidents and accidents.

We have defined safety performance indicators based on an average of the last 36 months to track our safety performance. The safety performance indicators are classified into high-consequence and low-consequence, so we can effectively assess whether the targets meet our safety standards, identify any safety risks, as well as ensure their mitigation. These are audited and certified by aviation authorities and monitored periodically by the Safety Review Table, which includes oversight of our Senior Management, and the Safety Team.

Our safety department focuses on proactively preventing and monitoring the following cases:

- Unstable approaches.
- Loss of control in flight.
- Runway safety, including runway excursions and hard landings.
- Mid-air collision.
- Controlled flight into terrain.

Other inflight safety events that are not necessarily confined to the flight cockpit are also reviewed, such as:

- Inadvertent slide deployment (typically caused by human error).
- Cabin injuries (turbulence is regarded as the leading cause of injuries aboard aircraft in incidents).

In 2022, the harmonized accident rate (per million sectors) was zero.

We have implemented a variety of management tools for safety risk mitigation:

- **Flight Data Analysis.** Volaris has a Flight Data Analysis (FDA) program 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 inflight safety events. Thus, FDA offers valuable information to mitigate risk and prevent repeat incidents.
- **Wireless Extension for ACMS[45] (WEFA) system.** In 2022, we increased our 3G wireless flight data transmission technology in 88 aircraft to better monitor pilot performance, which makes the predictive hazard identification systems of the SMS even more effective and efficient.
- **SMS Report and Audit Control.** The Aviation Quality Database (AQD) is a comprehensive and integrated set of tools supporting safety reporting and quality assurance. The AQD allows users to report any situation where safety protocols have been or could be breached. It also serves as a platform to record internal and external quality/safety audits. The AQD also tracks and manages corrective and preventive measures.
- **Airport Safety Inspections.** We continued with airport safety inspections to confirm that risk mitigation procedures are implemented.
- **Safety Culture Survey.** Volaris conducts a safety culture survey in line with the objectives, procedures, and policies of the SMS. Internal survey results are obtained to identify areas for improvement and the SMS level of understanding. This survey covers the following topics:

— Perception of safety culture in the Company.
— Involvement of the areas with safety.
— Dissemination of safety information.
— Training and procedures.
— Ambassadors' initiative on safety.
— Reporting culture of deficiencies and hazards.
— Action against incidents and accidents.

Moreover, in 2022, we trained 6,755 Ambassadors and 5,150 suppliers on our SMS (Mexico: 6,321 Ambassadors/3,869 suppliers, Costa Rica: 175 Ambassadors/1,002 suppliers, El Salvador: 259 Ambassadors/279 suppliers).

[45] ACMS: Aircraft Condition Monitoring System.

GRI
3-3
416-1

SASB
TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

GRI

416-1

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

Maintenance

Our aircraft maintenance engineering department oversees our Maintenance Program, which is approved by the Federal Civil Aviation Agency (AFAC) of Mexico, the Federal Aviation Administration (FAA) 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, 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. In-line 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 lasting 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 long-term contracts with certified suppliers for the maintenance of our engines and other components, as well as for our major airframe.

Regulatory Compliance and Safety Certifications

In 2022, we complied with all applicable safety regulations and have adopted several certifications regarding operational safety across our operations:

Volaris Mexico

- The Mexican Civil Aviation Law establishes that airlines must implement measures to ensure the safety of operations and, therefore, of customers and crews.
- Compliant with Mexican Official Standard NOM-064- SCT3-2012, which establishes the specifications to be met by the SMS.
- IOSA Certification (2021-2023). In 2023, we will start working to renew our certificate for two more years, until August 2025.
- SMS Certificate (since 2015).

Volaris Costa Rica

- IOSA Certification (2021-2023). A renewal audit will be carried out by IATA in 2023.
- SMS Certificate (since 2019).

Volaris El Salvador

- Planned IOSA Certification, with initial audit scheduled for 2023.
- SMS Certificate (since 2022).

FLIGHT SAFETY FOUNDATION

Moreover, in 2022, we continued our partnership with the **Flight Safety Foundation.** This association seeks the participation of various businesses in the industry to anticipate, analyze, and identify safety issues in order to promote best practices.

Thanks to these efforts, in 2022, we were rated again as **one of the safest low-cost airlines by AirlineRatings.com,** based on seven categories that cover, among other aspects, IOSA Certification, and aviation accidents.

GRI

3-3
416-1

SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

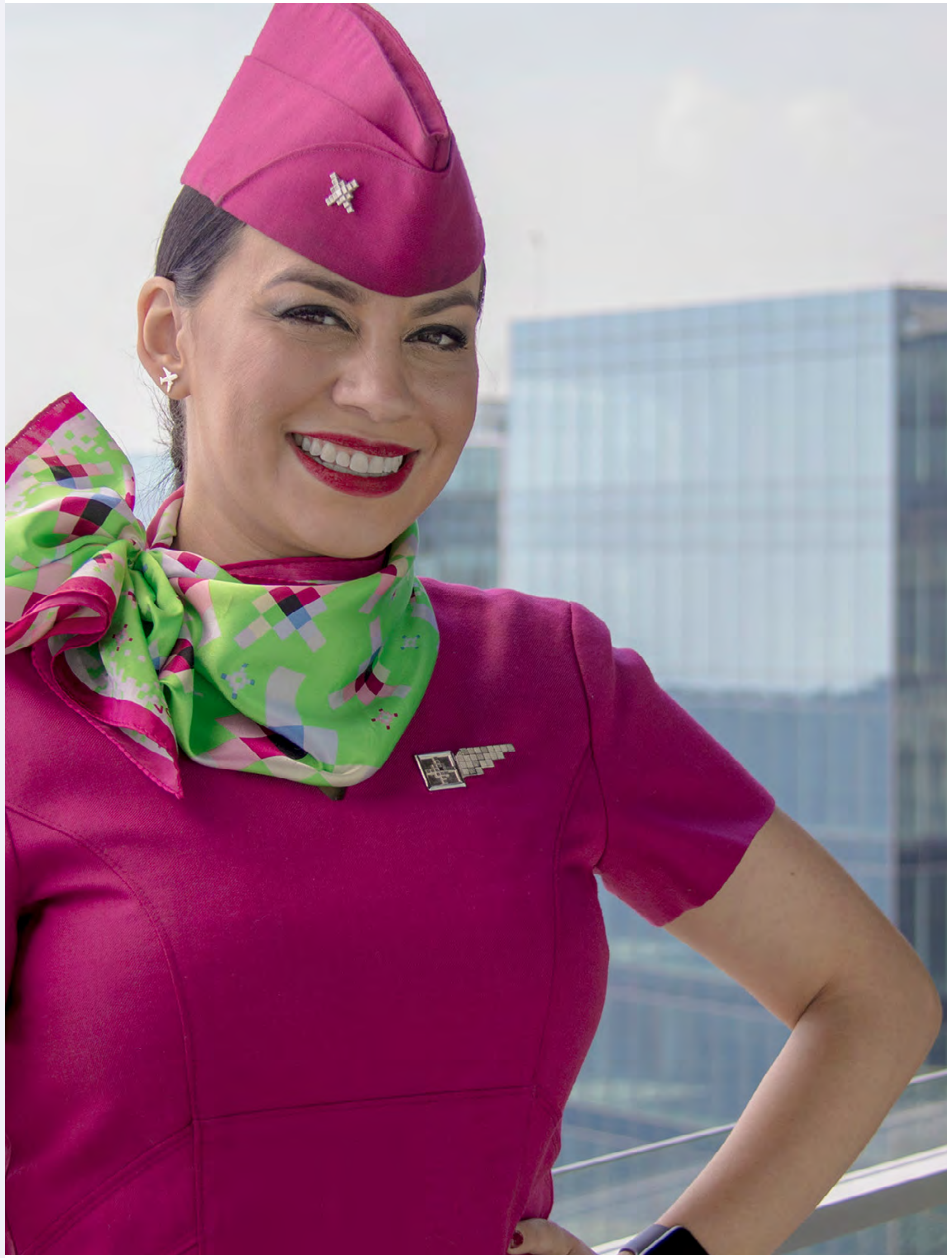
Cybersecurity, Data Protection, and Customer Privacy

We recognize that by maintaining the integrity of our information systems and protecting customers' personal information, we seek to maintain our corporate reputation to keep our customers' trust and to avoid fines related to any violation of data protection regulations that could affect the Company. Volaris is committed to continuously improving our data protection and our customers' privacy through several efforts.

In 2022, Volaris did not rent or sell customers' personal data to third parties.

We periodically review the applicable official data protection and privacy provisions and evaluate our tools and technological advances to reinforce and update our internal processes and policies. This allows us to effectively respond to customers' requests regarding their rights of access, rectification, cancellation, and opposition, and, also, comply with the applicable regulations.

We annually train all Ambassadors on cybersecurity, privacy, and personal data protection matters, and we share information on these topics. **In 2022, 99.5% of our Ambassadors were trained in personal data protection, and 99.0% were trained in cybersecurity matters.** Moreover, we carry out internal phishing simulations to strengthen preventive controls to protect identities and detect cyberattacks.



SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

GRI

3-3
418-1

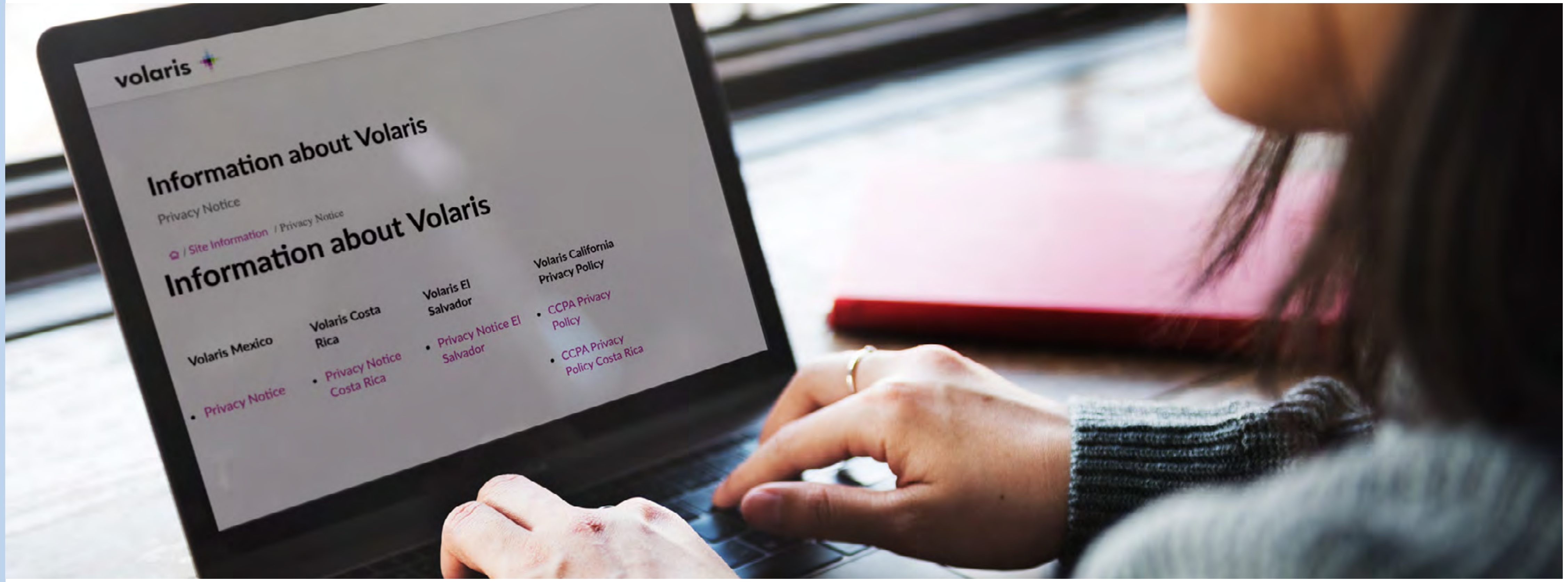
SASB

TR-AL-540a.1
TR-AL-540a.2
TR-AL-000.B
TR-AL-000.C
TR-AL-000.D
TR-AL-000.E

Cybersecurity and Data Protection

Our Board of Directors and the Senior Management have the ultimate oversight over our cybersecurity and data protection strategy. The Board of Directors oversees the strategy and review processes reported by the Audit Committee, which in turn, is proposed by the IT and Cybersecurity Working Group. This working group meets at least quarterly. For more information about the integration and main duties of this working group, please refer to the Our Corporate Governance chapter. Moreover, our cybersecurity and data protection strategy is led by our technology and transformation senior director, which reports directly to the Executive Vice-President, Airline Commercial and Operations.

Our main IT infrastructure and information security management systems are certified to the ISO 27001: 2013 standard and audited by a third-party. We periodically conduct third-party vulnerability analysis, including simulated hacker attacks, and implement incident response playbooks to protect our IT systems.



Customer Privacy

In 2022, we continued to strengthen our customer privacy strategy by identifying, analyzing, and addressing emerging risks by accounting for current trends, new regulations, and Volaris' expansion to new markets. We seek to bolster existing controls and, when necessary, implement additional controls to mitigate identified risks related to business continuity and personal data. Volaris has several corporate policies in this area, including:

- Personal Data Protection General Policy.
- Data Subjects Access Rights Policy.
- Blocking and Cancellation of Personal Data Policy.
- Personal Data Violation Policy.
- Data Classification Policy.

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

During 2022, we did not identify any breaches or leaks of our customers' personal data. Though we take preventive measures to reduce the risk of cyber incidents and protect our information technology and networks, there is always a risk that we may suffer a major cyberattack that we are unable to repel.

Additionally, in 2023, we will continue to incorporate liability and data protection clauses in new contracts with suppliers that treat personal data.

This is just the beginning...

to continue building a **great family**

05 Our Ambassadors

GRI

2-4, 2-7, 2-27, 2-30, 3-3, 201-1, 401-1, 401-3, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 403-10, 404-1, 404-2, 404-3, 405-1, 405-2

SASB

TR-AL-540a.3
TR-AL-310a.1

7,364 Ambassadors **53%** men & **47%** women Ambassadors **41%** of women in all management positions

SASB

TR-AL-540a.3
TR-AL-310a.1

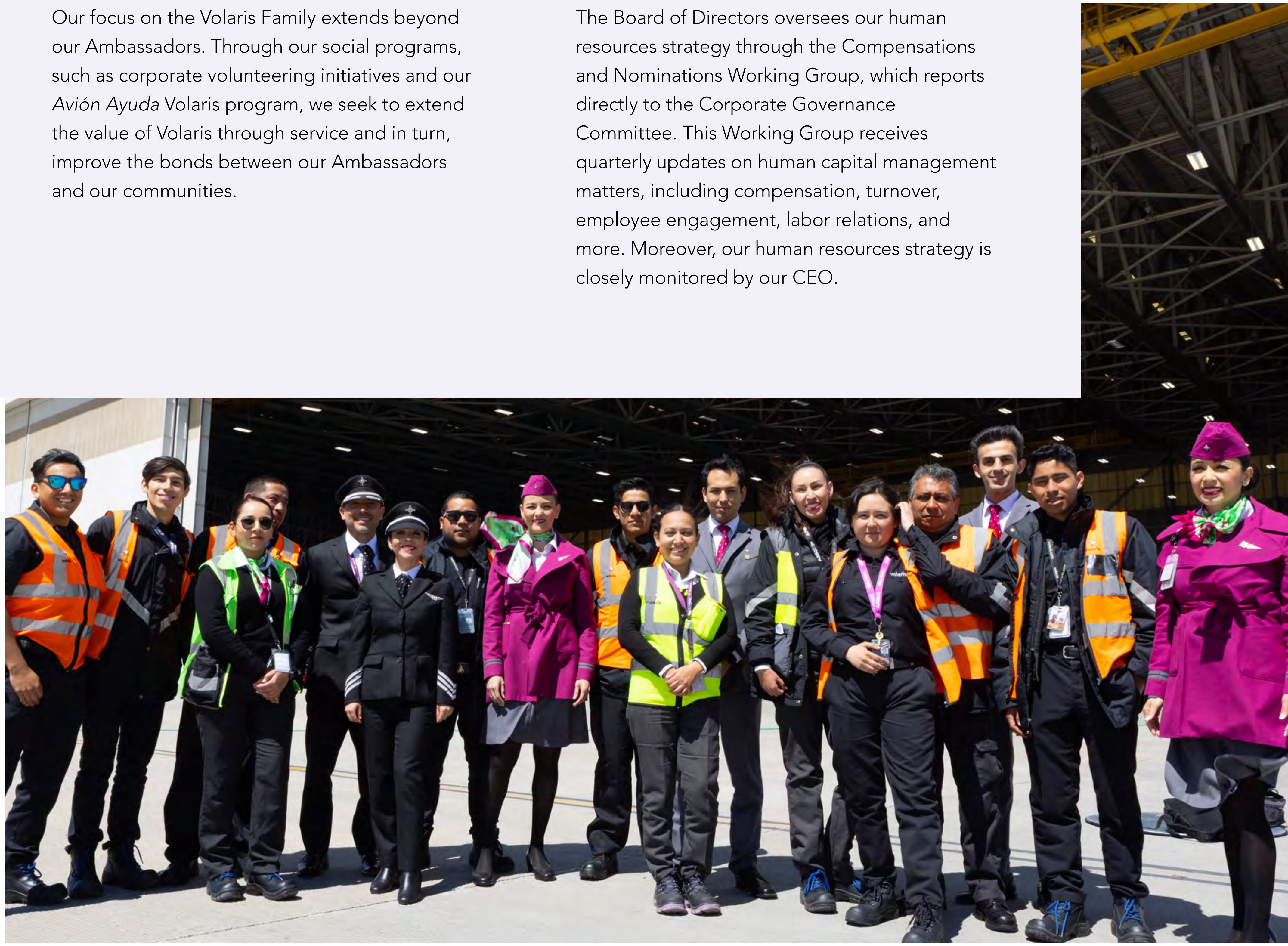
Our Ambassadors

At Volaris, we recognize that our people and their well-being are central to sustainable business management and growth. Our people-centered organizational culture is governed by five axes: health, family, professional development, spirit, and social commitment. Our employees are referred to as "Ambassadors" as they represent our Company, embodying our mission and values to our customers. All our Ambassadors are part of the Volaris Family.

Our focus on the Volaris Family extends beyond our Ambassadors. Through our social programs, such as corporate volunteering initiatives and our *Avión Ayuda* Volaris program, we seek to extend the value of Volaris through service and in turn, improve the bonds between our Ambassadors and our communities.

The Board of Directors oversees our human resources strategy through the Compensations and Nominations Working Group, which reports directly to the Corporate Governance Committee. This Working Group receives quarterly updates on human capital management matters, including compensation, turnover, employee engagement, labor relations, and more. Moreover, our human resources strategy is closely monitored by our CEO.

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



GRI
2-7
2-30
405-1

SASB
TR-AL-540a.3
TR-AL-310a.1

Workforce Composition

Volaris continues to be an engine of economic growth in the countries where we operate. In 2022, we created 650 new positions as part of a significant investment in human capital, fostering employment opportunities and contributing to the prosperity of our communities. Since 2020, we have hired more than 3,900 Ambassadors to support our business growth and fleet expansion.

By the end of 2022, the Volaris Family consisted of **7,364** Ambassadors, of which 53% were men and 47% were women, and we had a ratio of 60 full-time employees (FTE) per aircraft.

Seventy-eight percent[46] of these Ambassadors were represented by an independent trade union or covered by collective bargaining agreements. At the end of 2022, we did not have any temporary or non-guaranteed labor contracts with our Ambassadors.

[46] This figure only includes unionized employees based in Mexico.

GRI
2-7

SASB
TR-AL-540a.3
TR-AL-310a.1

Chart 7. Headcount by employee type

	2019			2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent	2,281	2,669	4,950	2,239	2,607	4,846	3,138	3,576	6,714	**3,429**	**3,935**	**7,364**
Part-Time	434	180	614	413	168	581	369	398	767	**573**	**271**	**844**
Full-Time	1,847	2,489	4,336	1,826	2,439	4,265	2,769	3,178	5,947	**2,856**	**3,664**	**6,520**

Chart 8. Employee demographics by age group

Age group	Percentage of Total Workforce			
	2019	2020	2021	2022
<30 Years	50%	51%	48%	**47%**
30-50 Years	43%	42%	46%	**47%**
>50 Years	7%	7%	6%	**6%**

GRI
405-1

SASB
TR-AL-540a.3
TR-AL-310a.1

Diversity, Equity, and Inclusion

Volaris believes in the importance of diversity, equity, and inclusion in fueling innovation, fostering creativity, and driving successful business results. Our **Diversity and Equal Employment Opportunities Policy** defines guidelines that provide equal opportunities for all our Ambassadors. The Policy requires promotions, performance evaluations, and development plans to be carried out transparently and without bias. It also requires our training, education, and coaching processes to be inclusive and gender aware. The Policy strictly prohibits mistreatment, violence, and segregation toward and among employees based on physical appearance, culture, disability, language, sex, gender, age, economic status, health or legal status, pregnancy, marital or civil status, religion, political beliefs, ethnic or national origin, sexual orientation, and immigration status.

In addition, our Code of Ethics requires ethical, egalitarian, and non-discriminatory behavior. Breaches of the Code of Ethics or other Company policies can be reported using the Volaris Ethics Line. Furthermore, Volaris' Compensation Policy seeks to establish equal pay for equal responsibilities and experience between men and women.

Volaris has joined the *IATA 25by2025* initiative, which aims to reduce gender inequality in the aviation sector by increasing the representation of women in senior positions and other functions with traditionally low gender diversity such as maintenance roles and pilots, and other science, technology, engineering, and mathematics (STEM) related positions.

Through our *IATA 25by2025* commitment, our goal is to increase the representation of women in underrepresented positions and top management positions at Volaris by 25% or up to a minimum of 25% by 2025. Since we made this commitment in 2021, we have increased the number of women in underrepresented and senior management positions at Volaris by 11% and 18%, respectively. By 2025, we aim to have 94 female pilots, 59 women in line maintenance and engineering, and 15 women in top management positions.

As of the end of 2022, we had **41% of women in all management positions,** 83 female pilots, 50 women in line maintenance and engineering, and 14 women in top management positions[47].

[47] Includes senior managers, directors, senior directors, VPs, senior VPs, and executive VP.

GRI
405-1

SASB
TR-AL-540a.3
TR-AL-310a.1

Chart 9. Total gender diversity

	2019		2020		2021		2022	
	Ambassadors	%	Ambassadors	%	Ambassadors	%	Ambassadors	%
Women	2,281	46%	2,239	46%	3,138	47%	**3,429**	**47%**
Men	2,669	54%	2,607	54%	3,576	53%	**3,935**	**53%**
Total	4,950	100%	4,846	100%	6,714	100%	**7,364**	**100%**



Graph 4: Total gender diversity

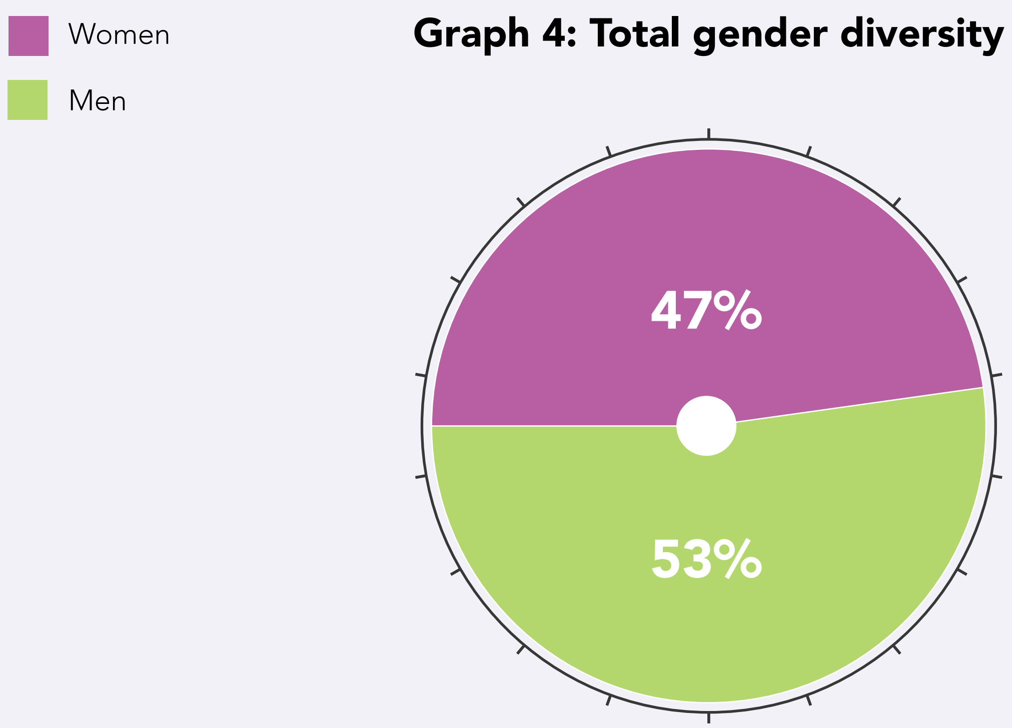


Chart 10: Gender diversity by geography

Mexico

	2019		2020		2021		2022	
	Ambassadors	%	Ambassadors	%	Ambassadors	%	Ambassadors	%
Women	2,021	46%	2,172	46%	3,054	47%	**3,283**	**47%**
Men	2,561	54%	2,513	54%	3,461	53%	**3,760**	**53%**
Total	4,762	100%	4,685	100%	6,515	100%	**7,043**	**100%**

Central America & South America

	2019		2020		2021		2022	
	Ambassadors	%	Ambassadors	%	Ambassadors	%	Ambassadors	%
Women	80	43%	67	42%	84	42%	**146**	**45%**
Men	108	57%	94	58%	115	58%	**175**	**55%**
Total	188	100%	161	100%	199	100%	**321**	**100%**

Chart 11: Gender diversity by role

	2020		2021		2022	
	Women	Men	Women	Men	Women	Men
Senior management[48]	17%	83%	0%	100%	**0%**	**100%**
Top management[49]	34%	66%	21%	79%	**20%**	**80%**
Junior management[50]	50%	50%	42%	58%	**49%**	**51%**
Management positions in revenue-generating functions[51]	31%	69%	58%	42%	**58%**	**42%**
STEM-related positions	2%	98%	6%	94%	**5%**	**95%**

[48] Refers to VPs, senior VPs, executive VPs, and CEO.

[49] Refers to senior managers, directors, senior directors.

[50] Refers to leaders, heads, senior heads, and managers.

[51] Include leaders, leaders, heads, senior heads, managers, senior managers, directors, and senior directors in areas that generate revenue.

GRI
405-2

SASB
TR-AL-540a.3
TR-AL-310a.1

Employee Compensation and Benefits

Volaris' compensation plans seek to maximize value for our Ambassadors, customers, and shareholders. Our General Compensation Policy and associated policies are closely linked and aligned with Volaris' strategy, mission, vision, and practices.

An Ambassador's total compensation is composed of a monetary salary and an "emotional salary." The latter is understood as an Ambassador's growth, development, working conditions, and overall experience at Volaris.

We seek to offer equitable and fair compensation, without discrimination and comparable to the duties, experience, responsibilities, complexity, and contribution of each role to the results of the Company. We annually benchmark our total compensation levels against the market to stay competitive with best practices. In 2022, the lowest-paid position at Volaris was more than double the minimum Mexican wage.

In addition, in 2022, we conducted an internal gender pay assessment, to help us offer equitable and fair compensation and increase the number of women in underrepresented areas.

As mentioned before, our compensation and benefits plans contribute to equal pay for equal work and experience in all our roles, as well as to the well-being of our Ambassadors.

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

Chart 12: Gender pay ratios by employee level

Level	Ratio
Senior management	N/A[52]
Top management	0.79
Junior management	0.98
Non-managerial level	0.89

Level	Ratio
Pilots	0.76
Flight Attendants	0.98
Maintenance Staff	0.86
Airports	1.00

[52] N/A: In 2022, we did not have women in the Senior management

In 2022, the mean and median gender pay, and bonus gap was 0%.

SASB

TR-AL-540a.3
TR-AL-310a.1

Additionally, we offer our Ambassadors a comprehensive benefits package designed to help prioritize their physical health, financial security, mental well-being, and work-life balance. According to Mexican Labor Law, our Ambassadors are entitled to various benefits including paid vacation days, vacation premiums, end-of-year bonuses, social security, maternity and paternity benefits, and access to breastfeeding/lactation rooms.

All Ambassadors (unionized and non-unionized) are eligible to receive the following benefits:

- Major medical expense insurance.
- Life insurance for natural or accidental death.
- Productivity bonus.
- Training programs.
- Career development programs.
- Flight tickets.
- Access to physical and mental health online platforms, e.g., nutrition programs, psychological counseling, medical counseling, etc.
- Commercial discount agreements.

In addition, unionized Ambassadors receive food grocery vouchers and can participate in the December Overnight Program for Crew Members[53]. Administrative Ambassadors receive vacation premiums, additional vacation days over those granted by law, and end-of-year bonuses surpassing what Mexican law requires.

[53] This initiative consists of an invitation to our crew members that fly on December 24 and 31 to take a companion on the flight with them. The objective is that they spend December's holidays with their families.

GRI
401-3

SASB
TR-AL-540a.3
TR-AL-310a.1

Supporting Parents and Ambassadors' Work-life Balance

The Company's policies on maternity and paternity leave, use of breastfeeding rooms, and working from a home office are all designed to not only reduce gender gaps in the workplace that may result from caregiving responsibilities but also provide opportunities to balance their personal and professional lives.

Chart 13: Number of Ambassadors who took paternity and maternity leave

	2019	2020	2021	2022
Women	113	81	100	**106**
Men	4	2	-	**8**
Total	117	83	100	**114**

Chart 14: Number of Ambassadors who returned to work after paternity and maternity leave

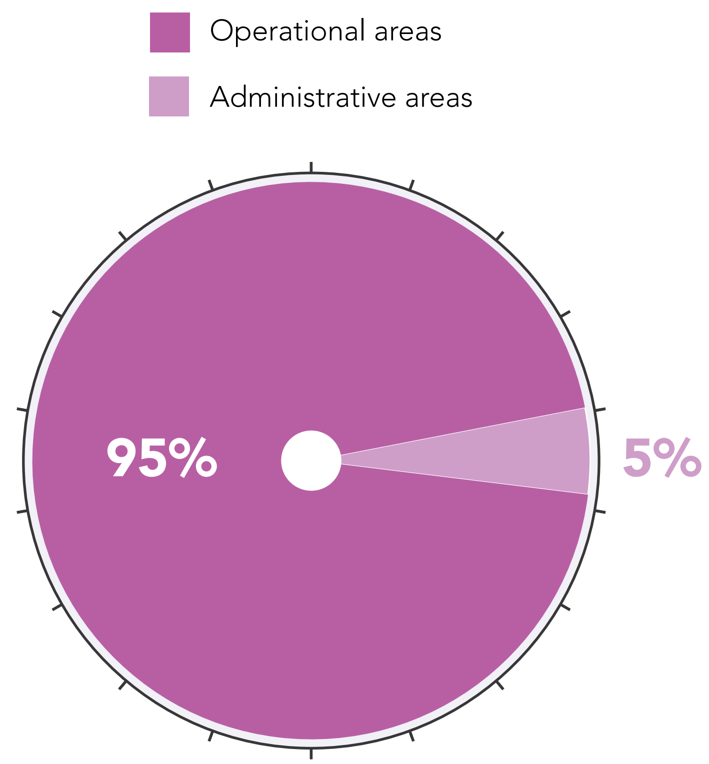
	2019	2020	2021	2022
Women	101	77	97	**85**
Men	4	2	-	**8**
Total	105	79	97	**93**

Chart 15: Number of Ambassadors who returned to work and stayed with the organization one year later

	2019	2020	2021	2022
Women	79	59	68	**52**
Men	4	2	-	**8**
Total	83	61	68	**60**

Based on the figures of Charts 14 and 15, 20% of women Ambassadors do not return to work after maternity leave and cannot continue with their job activities during the leave, mainly due to the nature of those activities, such as flight attendants.

Graph 5: Maternity leave by business area



Note: Operational areas refers to pilots, flight attendants, maintenance, and airports departments.

GRI

404-2
404-3

SASB

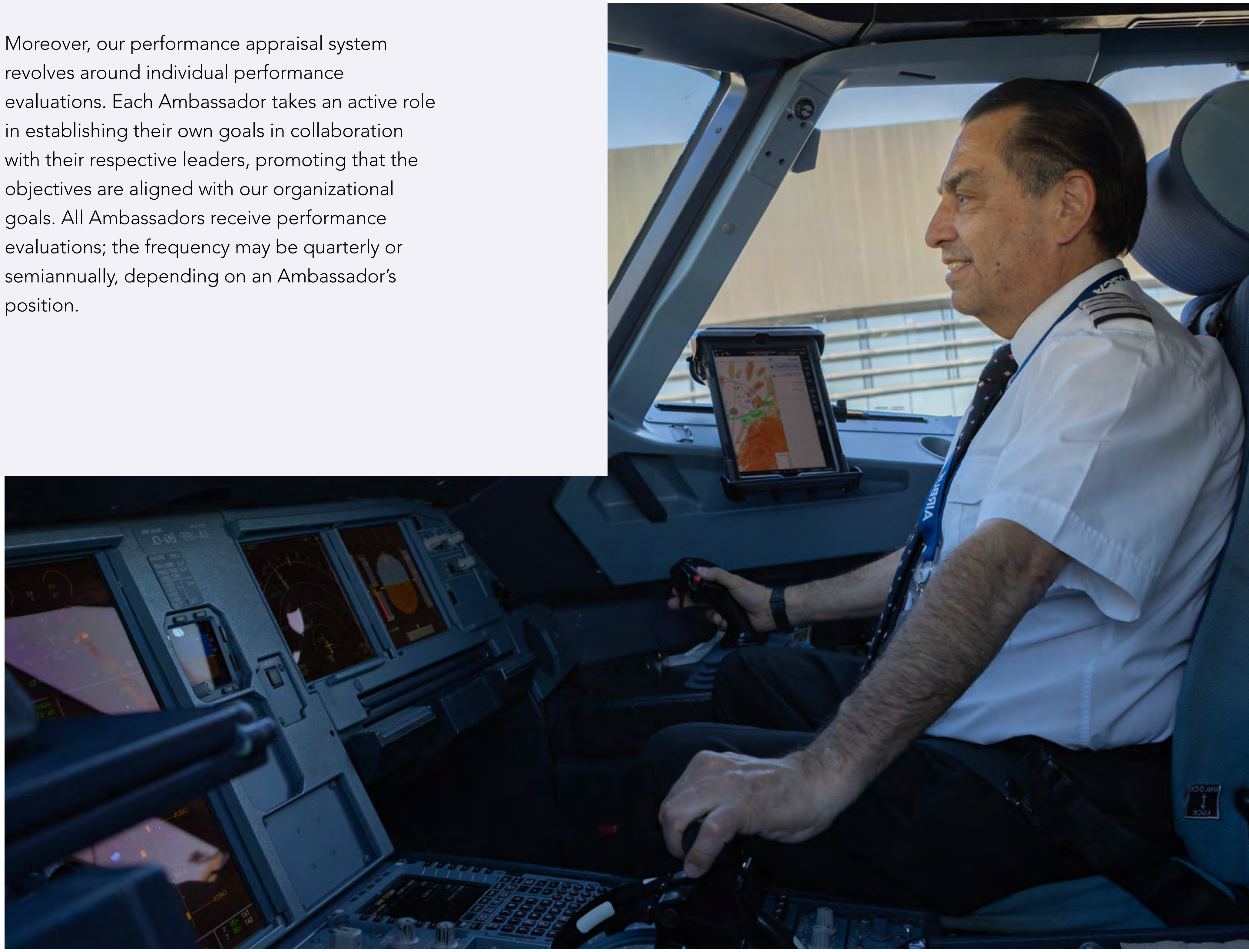
TR-AL-540a.3
TR-AL-310a.1

Performance Evaluations

We have implemented a performance appraisal system that allows us to assess the performance of our Ambassadors effectively. Our performance appraisal system is designed not only to assess performance but also to aid in the development of our Ambassadors. By setting objectives and regularly reviewing performance, we create opportunities for our Ambassadors to enhance their skills, contribute to their professional growth and contribute to the success of our Company.

Moreover, our performance appraisal system revolves around individual performance evaluations. Each Ambassador takes an active role in establishing their own goals in collaboration with their respective leaders, promoting that the objectives are aligned with our organizational goals. All Ambassadors receive performance evaluations; the frequency may be quarterly or semiannually, depending on an Ambassador's position.

Our performance evaluation programs are linked to our Ambassadors' variable compensation.



GRI
404-2
404-3

SASB
TR-AL-540a.3
TR-AL-310a.1

Training and Professional Development

Aviation is one of the world's most specialized and regulated industries, so it is essential to train and keep our Ambassadors up to date on operational, safety, administrative, and customer service best practices. Beyond required technical training, we offer our Ambassadors additional development opportunities to improve their capabilities, skills, and knowledge.

The foundation of our approach to professional development is the **Volaris Competency Model** – a set of daily behaviors and skills expected of all Ambassadors.

Volaris Competency Model

GRI
404-2
404-3

SASB
TR-AL-540a.3
TR-AL-310a.1

The Volaris Competency Model was developed with a focus on promoting leadership skills and provides a standardized evaluation framework for the **Volaris Talent Cycle,** which is the set of seven developmental stages that Ambassadors go through during their time at the Company:

As a phase of the Volaris Talent Cycle, the training process plays a crucial role in Ambassadors' professional development and skill enhancement. The goals of this training strategy are twofold to:

1. Support the Ambassadors' ongoing professional development plans, and
2. Equip them with the necessary skills to create value for the Company consistently.


Volaris Talent Cycle

01	02	03
Talent attraction and promotion	Performance and recognition management	Talent review and succession planning

04	05	06	07
Career paths	Leadership development	Training	Corporate volunteering

In 2022, the average hours of training and development per full-time employee (FTE) was 6.3 hours, with an average of U.S. $38.6 spent per FTE on training and development.

GRI

404-2

SASB

TR-AL-540a.3
TR-AL-310a.1

Our training and professional development opportunities are offered on-site and through e-learning platforms and are divided into five areas:

Volaris Corporate University

Virtual space with access to mandatory online courses certifications.

Human Rights Training

Specialized courses on respect for human rights.

Regulated Technical Training

Specialized mandatory courses for technical areas required by the aeronautical authorities.

Non-Mandatory Training

Specialized courses designed to reinforce soft skills.

Leadership Academy

Leadership training program for Ambassadors.

Regulated Technical Training

Volaris complies with the training requirements mandated by the authorities in the countries where we operate to ensure regulatory adherence and operational competence among our Ambassadors.

Chart 16: Regulated courses

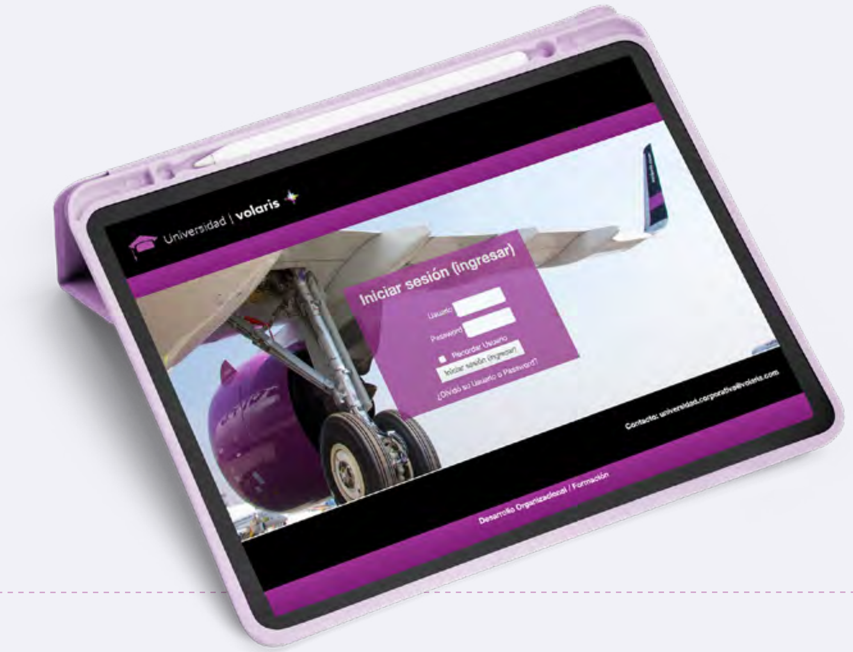
	Pilots	Flight Attendants	Maintenance	Dispatch	Total
Courses offered (on-site/remote)	3,329 (2,048/1,281)	193 (59/134)	89 (0/89)	84 (0/84)	3,695 (2,107/1,588)
Number of participants (on-site/remote)	13,902 (1,620/12,282)	2,994 (892/2,102)	929 (0/929)	1,229 (0/1,229)	18,846 (2,304/16,542)
Women participants	633	2,229	17	206	3,085
Men participants	13,269	765	912	1,023	15,969

GRI

403-5
404-1

SASB

TR-AL-540a.3
TR-AL-310a.1



Volaris Corporate University

Volaris Virtual Corporate University courses are mandatory for Volaris Ambassadors every year. Most of these courses address governance, ethics, safety, and security topics.

Chart 17: Volaris Virtual Corporate University courses

Mandatory Courses[54]	Trained Ambassadors	% Completion / Active Population[55]	Women trained	Men trained
PCV: Key Control Policies	952	95.0%	323	629
SMS: Safety Management System (Type A, B, C)	6,324	100.0%	2,877	3,447
SMS: Safety Management System (Type D External)	3,689	95.0%	913	2,776
COEV: Volaris Code Of Ethics	7,017	99.7%	3,243	3,774
ECPAT: End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes	5,669	100.0%	2,871	2,798
COVID-19: Prevention And Security Measures	6,444	94.0%	2,980	3,464
PDP: Personal Data Protection	7,005	99.5%	3,256	3,749
FCPA: Anti-Corruption Practices	672	100.0%	296	376
SI: Information Security Matters	6,940	99.0%	3,192	3,748

[54] Average length of the mandatory courses: 1 hour.

[55] Active population refers to the total number of Ambassadors assigned to complete the training. The active population is not the same as the total number of Ambassadors at the end of the year.

GRI
404-2

SASB
TR-AL-540a.3
TR-AL-310a.1

Non-Mandatory Training

Our non-mandatory courses are training programs or educational courses designed to enhance our Ambassadors' skills, knowledge, and competencies. These courses cover a wide range of topics and disciplines aligned with the needs and objectives of Volaris. Some examples of our non-mandatory courses are *Crucial Conversations, Agile Product Owner, and Customer Experience*, among others. Moreover, we offer agreements with universities to facilitate the continued education of our Ambassadors, so they can be up-to-date on emerging trends in different areas.

Chart 18: Participation in Non-Mandatory courses by gender

	Women trained	Men trained	Total Ambassadors trained	% FTE participation
Non-Mandatory Courses	682	1,062	1,744	27%

GRI
404-2

SASB
TR-AL-540a.3
TR-AL-310a.1

Leadership Academy

Our Leadership Academy is a program designed to cultivate and develop effective leaders. It offers training and guidance to help our Ambassadors understand and develop soft skills, such as communication, decision-making, problem-solving, strategic thinking, emotional intelligence, empowerment, and ethical leadership. The program is based on three training areas: Culture, Leadership Capabilities, and Ways of Working.

The Leadership Academy is designed according to a 70-20-10 Model for Learning and Development, which holds that different types of activities develop each competence. According to the 70-20-10 Model, 70% of the learning comes from job-related experiences, evoking learning in practice, while another 20% of knowledge is derived from feedback activities and learning from others. Finally, 10% of the knowledge obtained comes from individual study activities that provide the necessary information for developing each skill. Some examples of the courses taught in the Leadership Academy are *Assertive Communication*, *Decision-Making Processes*, and *Emotional Intelligence*.

In 2022, 5,016 Ambassadors participated in this program: 2,211 women and 2,805 men.

Chart 19: Participation in Leadership Academy

	Women	Men	Total
Leadership Academy (number of Ambassadors)	2,211	2,805	5,016
Leadership Course: Promotion to Captain	1	59	60

Other leadership training offered to our Ambassadors includes:

Accompaniment Program for New Leaders. Transitions are critical moments for our Ambassadors' 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 2022, 174 Ambassadors participated (74 women and 100 men).

Individual Leader Accompaniment and Development Program for Administrative and Operational Ambassadors. Aimed at those leaders that need to consolidate their leadership capabilities, focusing efforts through individual sessions of leadership development, coaching, team coaching, shadowing, and mentoring, among others. In 2022, 139 Administrative Ambassadors participated (75 women and 64 men), and 257 Operational Ambassadors participated (138 women and 119 men).

GRI
404-2

SASB
TR-AL-540a.3
TR-AL-310a.1

Human Rights Training

We conduct training on diversity and respect for human rights for operational Ambassadors. The goal is to ensure violence-free workspaces, promote equal opportunities for all, and offer our customers satisfactory and safe travel experiences.

In 2022, 291 Ambassadors attended the diversity and respect course, (436 total hours of training), which is oriented toward the awareness and promotion of good practices about diversity, inclusion, and respect for human rights.

Additionally, to protect children and adolescents from possible human trafficking for sexual exploitation purposes in the context of travel and tourism, we have a protocol to detect potential cases at all stages of flight, developed in collaboration with the non-profit organization ECPAT International, and conduct mandatory training on this protocol for our operational Ambassadors. In 2022, 100%[56] of the selected operational Ambassadors completed the human trafficking e-learning course for an average of 60 minutes each (5,669 total hours of training).

[56] 100% of active selected Ambassadors as of November 30, 2022. Considering the Ambassadors as of December 31, 2022 (7,364), 81% completed the training.

GRI
3-3

SASB
TR-AL-540a.3
TR-AL-310a.1

Talent Attraction and Retention

At Volaris, we constantly search for the best talent to support our rapidly expanding operations.

To achieve the goal of attracting and retaining the best talent for the Company, we have implemented actions to:

01

- Develop egalitarian recruitment and hiring processes that allow us to hire Ambassadors that meet the Company's job profiles and are qualified to fulfill the assigned responsibilities. For these purposes, we have a **Talent Attraction Policy**, which establishes guidelines to ensure that recruitment, selection, and hiring processes provide qualified talent for each position, and an **Internal Opportunities System (SOI) Policy**, which allows us to establish professional growth and development mechanisms for our Ambassadors through promotions, responsibility movements, and lateral transfers.

02

- Promote a positive work environment underpinned by equality for all our Ambassadors.

03

- Provide training programs that allow our Ambassadors to continue their professional and personal development and improve their performance.

04

- Maintain a culture of equal opportunities and non-discrimination within the Company.

05

- Offer competitive compensation and benefits.

06

- Conduct periodic evaluations and feedback sessions.

07

- Encourage the well-being of our Ambassadors through health and occupational safety programs.

08

- Increase our Ambassadors' sense of pride and belonging through corporate volunteering and effective internal communication.

09

- Develop specialized strategies to maintain a robust talent pipeline for corporate and operational positions, such as agreements with aviation schools and universities.

GRI
2-4
401-1

SASB
TR-AL-540a.3
TR-AL-310a.1

In addition, we have a talent incubator initiative called *Development Galaxy*, which seeks to attract young talent and develop the future leaders of Volaris. We believe in the societal benefits of offering opportunities to young people and understand the value young talent can generate for the Company.

The Development Galaxy is composed of the following:

- **Novas (Interns).** Program for students to participate in administrative and operational projects. The program lasts one to two years, with opportunities to fill future vacancies.
- **Satellites (Trainees).** An accelerated learning program that offers recent major graduates the opportunity to participate in challenging and high-impact projects for the Company. The program features three rotations in different business areas that match the profile and career interests of each participant.

Chart 20: New hires by gender and region

	New employee hires											
Country	2019			2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Mexico	405	578	983	167	246	413	857	993	1,850[57]	**786**	**725**	**1,511**
Central America & South America	29	38	67	2	8	10	19	26	45[58]	**85**	**79**	**164**

In 2022, we hired 1,675 new operational and administrative employees in Mexico, Central, and South America, with an average of U.S. $3,974 spent on hiring costs per FTE.

[57] GRI 2-4: The 2021 total number of new hires in Mexico was previously reported as 1,848 and instead should have been 1,850, due to an arithmetic error.

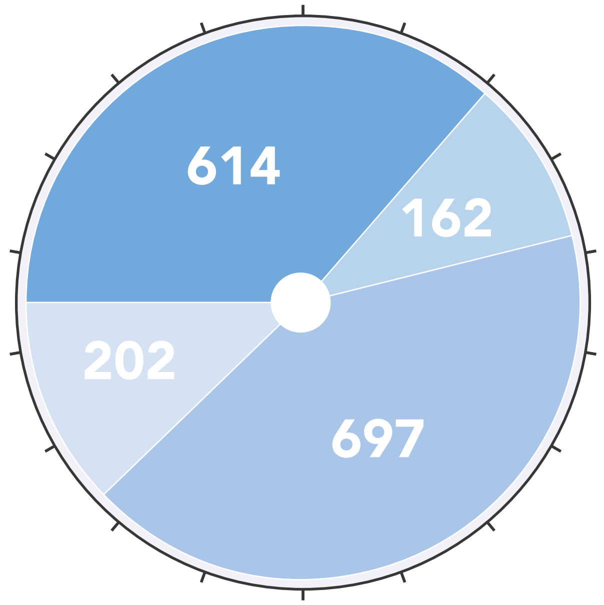
[58] GRI 2-4: The 2021 total number of new hires in Central America in 2021 was previously reported as 20 and instead should have been 45, due to an arithmetic error.

GRI
401-1

SASB
TR-AL-540a.3
TR-AL-310a.1

Graph 6: New hires by position[59]

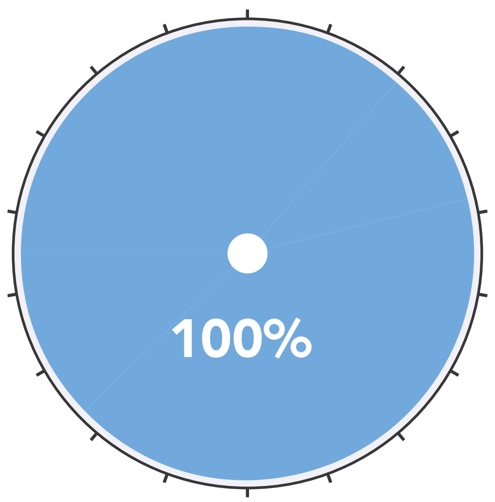
- Pilots and flight attendants
- Maintenance
- Operational areas
- Administrative areas



Total
1,675

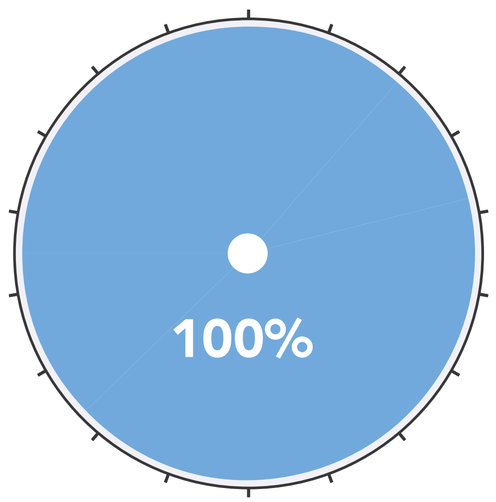
Pilots and flight attendants

- Individual contributors



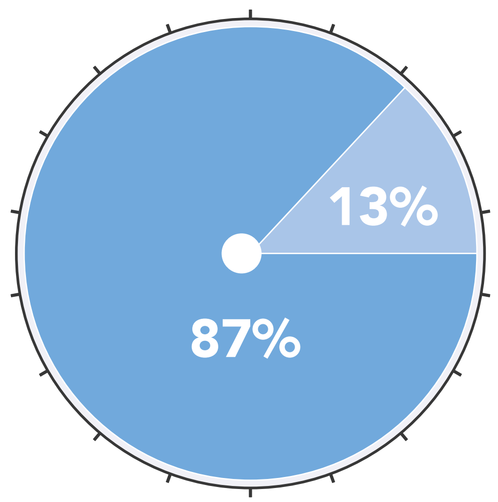
Maintenance

- Individual contributors



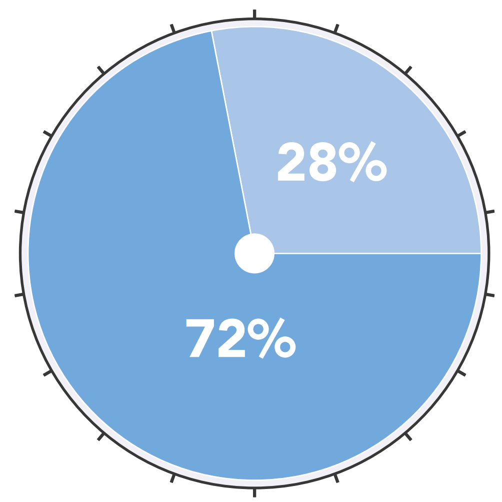
Operational areas

- Individual contributors
- Managerial responsibilities



Administrative areas

- Individual contributors
- Managerial responsibilities

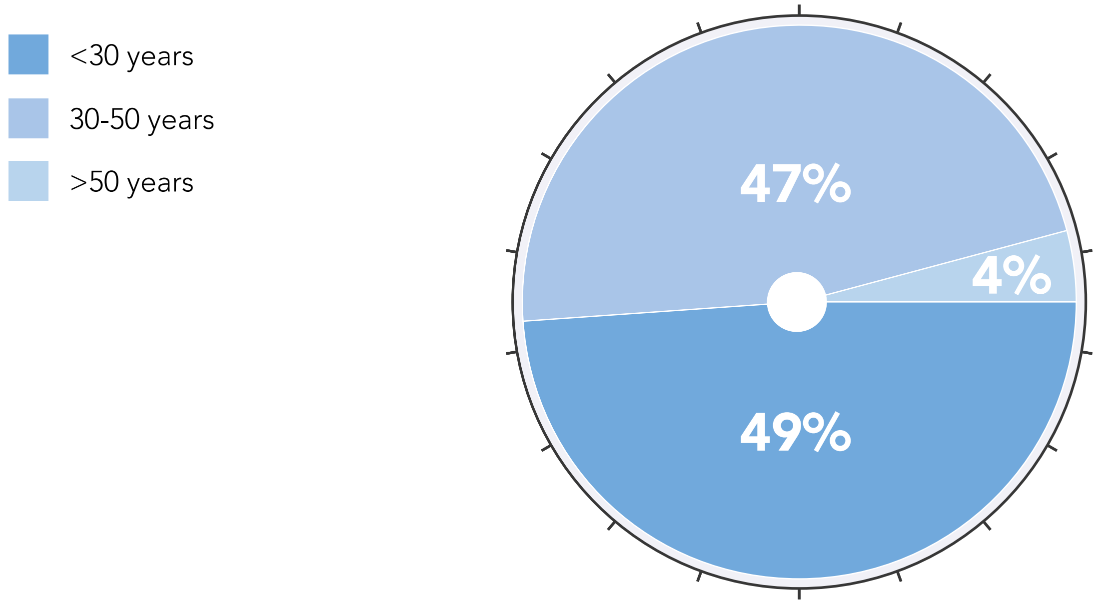


[59] Individual contributors do not have managerial responsibilities.

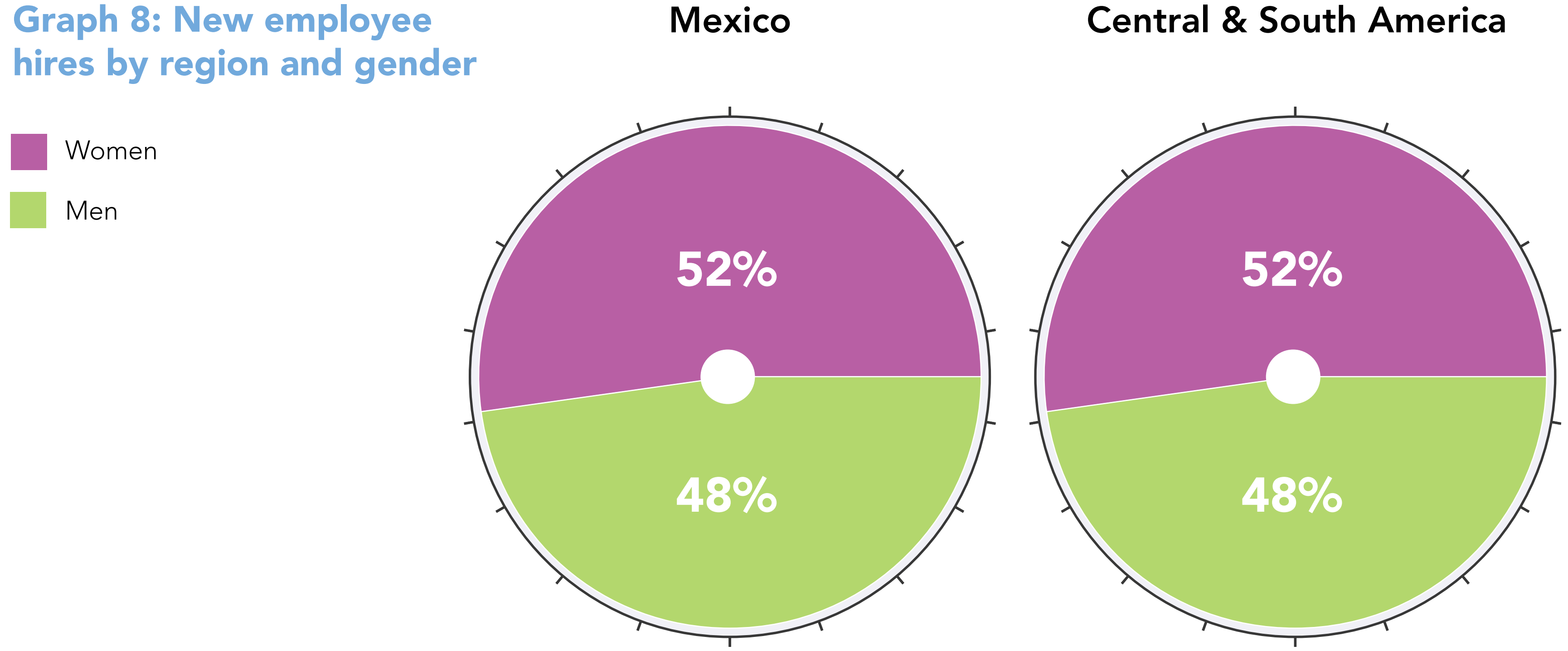
GRI
401-1

SASB
TR-AL-540a.3
TR-AL-310a.1

Graph 7: New hires by age



Graph 8: New employee hires by region and gender



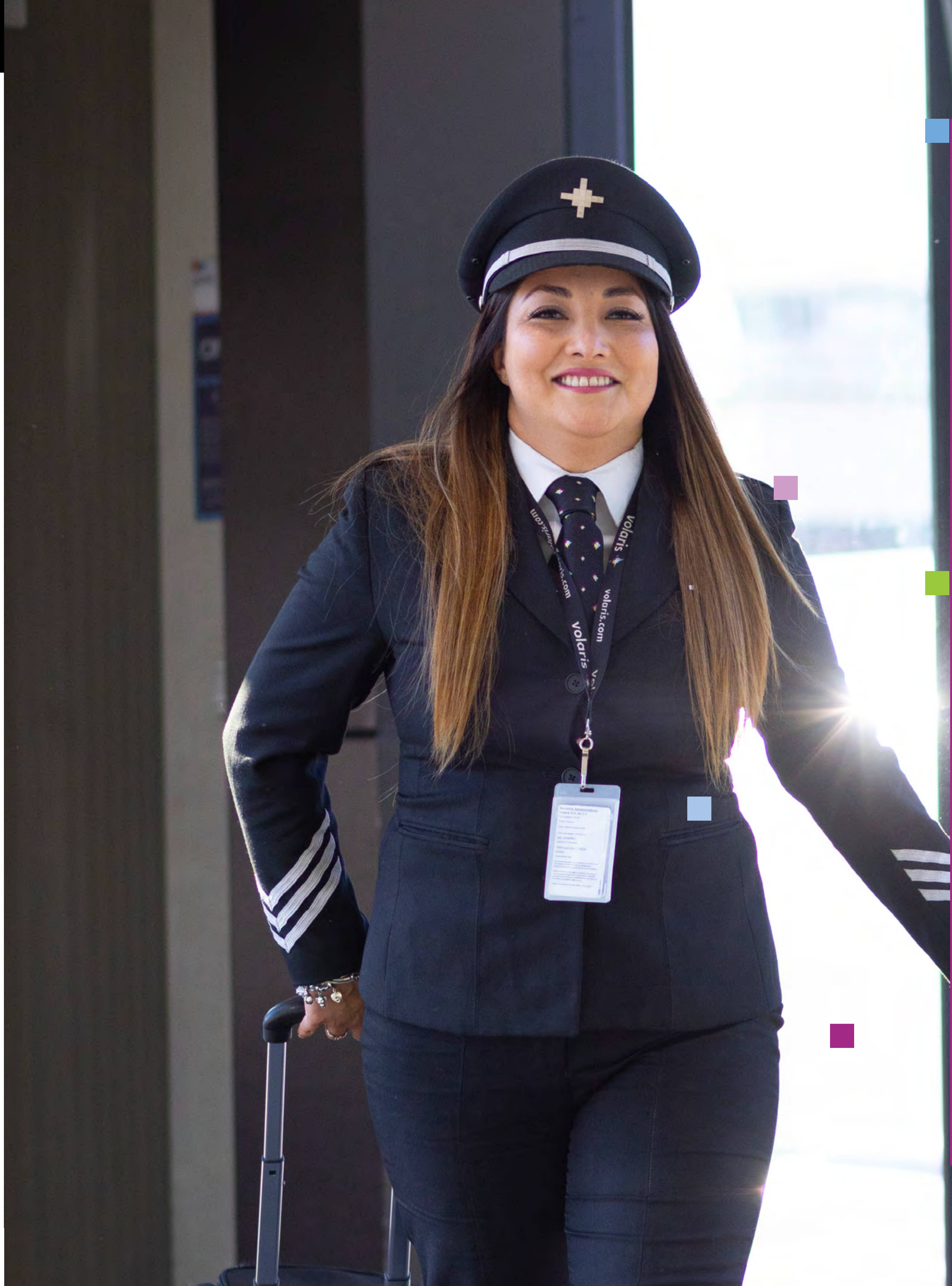
Internal Hiring

We understand the importance of internal hiring for the Company's success and have an **Internal Opportunity System (SOI)**, which allows us to fill vacancies through lateral transfers and promotions based on the performance, capacity, and professional competence of the internal candidates identified. Internal candidates have knowledge and familiarity with the Company's values, culture, goals, and processes, which increases productivity and leads to faster onboarding in new positions. Moreover, hiring internal candidates reduces turnover and costs while maintaining a stable workforce.

Chart 21: Number of internal candidates hired to fill open positions

	2019	2020	2021	2022
Women	94	47	87	122
Men	93	45	144	179
Total	187	92	231	301

In 2022, **the percentage of open positions filled by internal candidates was 15%** (vs.12% in 2021).



Volaris Pilot Scholarship Program

The Volaris Pilot Scholarship Program, established in 2021, is an initiative that helps some of our Ambassadors achieve their dream of becoming a pilot.

Since program participants stay in the Company for at least five years, Volaris also addresses our need for skilled pilots to support our growing fleet. The Pilot Scholarship Program also contributes to our gender equality goals by focusing on developing women's pilot careers. In the aviation industry, women have historically been underrepresented, and the Pilot Scholarship Program helps close this gender gap by encouraging and empowering women to pursue careers in aviation.

By investing in the education and training of Ambassadors who are passionate about aviation, the Volaris Pilot Scholarship Program has the potential to inspire and create a new generation of skilled pilots, creating a brighter future for the airline industry.

From the first class of candidates for the program, 27 Ambassadors were selected (15 women and 12 men). The selection process for the second class is already underway, and eligibility for this program was extended to children of Volaris pilots.

SASB
TR-AL-540a.3
TR-AL-310a.1

GRI

2-4
401-1

SASB

TR-AL-540a.3
TR-AL-310a.1

Turnover

We monitor our turnover rates to assess the stability and retention of our Ambassadors. These rates help us understand the dynamics of our workforce and develop actions to achieve our attraction and retention goals. **In 2022, we had a total turnover rate of 7%**, compared to 10% in 2021, **and a voluntary turnover rate of 13%**, compared to 8% in the previous year. We attribute these changes to an overall increase in our workforce size and atypical events in specific geographies.

Chart 22: Turnover index by gender and region

Country	Personnel rotation											
	2019			2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Mexico	381	320	701	294	179	473	373	310	683	**544**	**488**	**1,032**
Central America & South America	10	13	23	14	23	37	2	5	7	**4**	**8**	**12**

Chart 23: Turnover rate by gender and region

Country	Personnel turnover rate[60]											
	2019			2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Mexico	8%	6%	14%	6%	4%	10%	6%	8%	14%	**8%**	**7%**	**15%**
Central America & South America	6%	14%	20%	5%	4%[61]	9%[62]	3%	4%	8%	**4%**	**5%**	**10%**

[60] Note: Personnel turnover rate refers to the personnel rotation in terms of total Ambassadors at the end of the year.

[61] GRI 2-4: In 2020, was reported as 414.29% and instead should have been 4%, due to an editing error.

[62] GRI 2-4: In 2020, was reported as 419.62% and instead should have been 9%, due to an editing error.

SASB
TR-AL-540a.3
TR-AL-310a.1

Employee Engagement

To measure our 2022 efforts related to our Ambassadors' well-being, in 2023, Volaris conducted an engagement survey. This exercise aimed to assess our Ambassadors' level of satisfaction with the Company, identify strengths and areas for improvement, and ultimately help us create a labor environment that attracts and retains the best talent. The survey, developed in collaboration with an external consultancy, assessed the following three topics:

- **Engagement.**
- **7 P's model – Passion, Peace, Participation, Plurality, Progress, Ownership (*Propiedad* in Spanish), and Purpose.**
- **Leadership.**

Overall employee engagement was assessed by asking Ambassadors to describe their level of engagement using a five-point scale, with 4 and 5 indicating "active engagement":

- Not Engaged (1).
- Somewhat Disengaged (2).
- Passive (3).
- Somewhat Engaged (4).
- Highly Engaged (5).

The survey was completed by 6,797 Ambassadors, resulting in a 91% response rate. The results showed that 95% of Ambassadors were at the top level of engagement[63], 20% of respondents were Somewhat Engaged (4), and 75% were Highly Engaged (5).

Chart 24: Employee engagement breakdown

Indicator	Total Engagement Rate		Somewhat Engaged		Highly Engaged	
	Women	Men	Women	Men	Women	Men
Management Level						
Level A Team Leader (Senior management + Top management)[64]	93%	98%	14%	7%	79%	91%
Level B Leader of Leaders (Junior management)[65]	99%	99%	15%	9%	84%	90%
Level C Individual Contributor	96%	93%	21%	20%	75%	73%
Age						
18 – 25 years	97%	95%	18%	20%	79%	75%
26 – 30 years	96%	94%	23%	20%	73%	74%
31 – 40 years	95%	91%	22%	20%	73%	71%
41 – 50 years	97%	96%	13%	16%	84%	80%
> 50 years	96%	94%	18%	18%	78%	76%

[63] Top level of engagement is based on the classification of Somewhat Engaged and Highly Engaged.
[64] Includes senior managers, directors, senior directors, VPs, senior VPs, executive VPs, and CEO.
[65] Includes leaders, heads, senior heads, and managers.

GRI
2-30

SASB
TR-AL-540a.3
TR-AL-310a.1

Freedom of Association and Collective Bargaining

We seek to protect the rights of all our Ambassadors, including the right to free association and collective bargaining, so we maintain strong relationships with the Union. In 2022, 78% of Volaris Ambassadors were members of the independent Union of Workers of the Aeronautical, Communications, Similar and Related Industries of the Mexican Republic (STIA).

In 2022, working hand in glove with the Union, we achieved the following:

- Full reactivation of our operations after the pandemic, achieving an outstanding recovery in the industry with the coordination of Ambassadors and the STIA.
- Safe operation of 117 aircraft.
- Projections for more aircraft and routes.
- Greater presence and contact of the STIA with all the Ambassadors.
- A stable and productive working environment for the current operation and projected growth.
- The revision of the 2023-2025 collective bargaining agreement. The STIA successfully obtained more than 87% of the Ambassadors' votes in favor of the 2023-2025 collective labor agreement, which fully complies with the Reforms in Trade Union Labor regulations. In 2024, STIA will negotiate the contract with the Company, specifically with respect to wages.

These agreements are available in our Collective Bargaining Contract, and linked documents are registered on the labor authority's public domains.

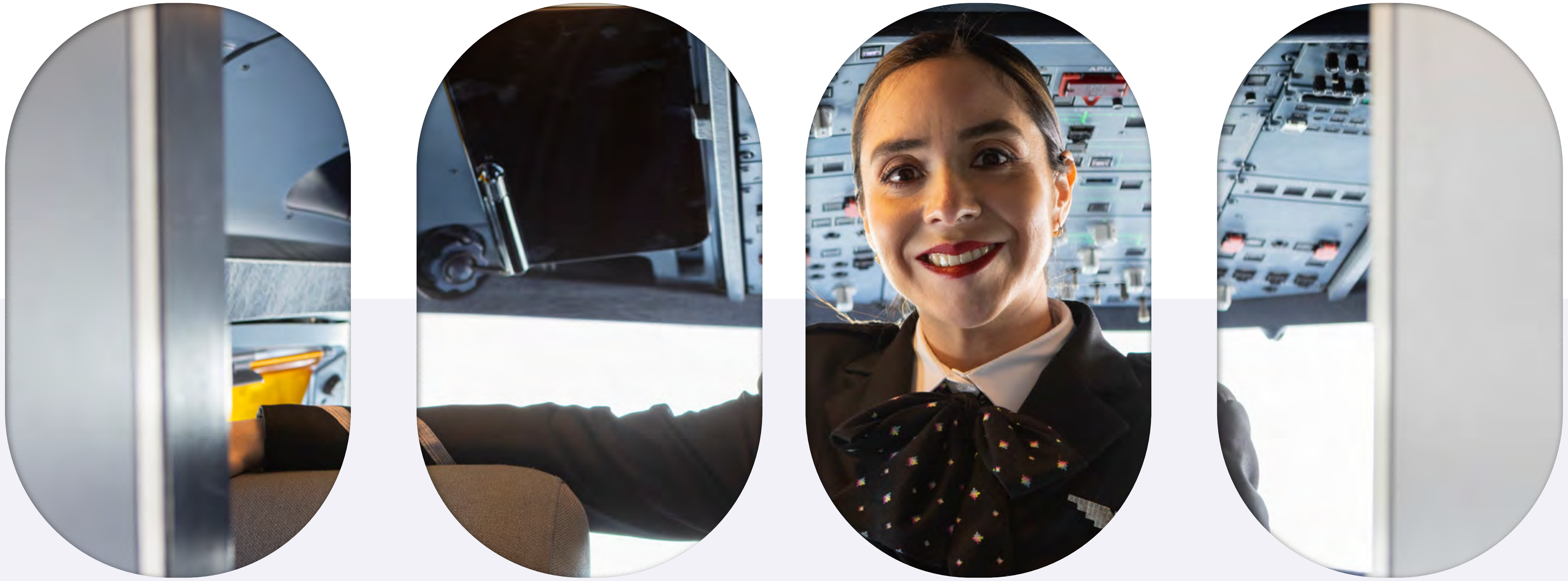


Chart 25: Unionized Ambassadors by trade[66]

	2021	2022
Number of unionized Ambassadors	5,464	5,819
Percentage of unionized Ambassadors	81%	79%
Number of Ambassadors unionized at airports	983	972
Number of Ambassadors unionized in maintenance	338	495
Number of pilots unionized	1,453	1,489
Number of flight attendants unionized	2,690	2,863

[66] Note: includes Mexico and Central and South America

For Ambassadors not covered by collective bargaining agreements, we have a General Compensation Policy and derived policies that establish the guidelines with which we define and develop the compensation, benefits, and general labor conditions at different levels of the Company.

GRI

2-27
3-3
403-1
403-8

SASB

TR-AL-540a.3
TR-AL-310a.1

Health and Occupational Safety

At Volaris, it is our priority to promote a safe workplace for all our Ambassadors. In consequence, we have a Health and Occupational Safety Plan that covers 100% of our Ambassadors. It is aligned with the applicable health and occupational safety regulations of the Ministry of Labor and Social Security, Mexican Social Security Institute, Ministry of Health, AFAC, Ministry of Infrastructure, Communications, and Transportation, and the Coordination for Civil Protection and is reviewed annually to evaluate the compliance in each work center. To improve the plan, we have processes to support the participation of Ambassadors through internal communication initiatives.

In 2022, we complied with all our regulators' health and occupational safety inspections without any significant fines.

GRI

403-2
403-3
403-4
403-7

SASB

TR-AL-540a.3
TR-AL-310a.1

Occupational Risk Management

We have an **Occupational Risk and Disability Management** procedure to track information about occupational risks, work accidents, and lost workdays. Additionally, we conduct an annual statistical analysis of occupational risks, reviewing the severity of injuries our Ambassadors may suffer in the workplace as well as the total number of days they need for recovery. Based on this information, we developed a risk matrix to better understand and manage our occupational risks.

To evaluate potential occupational risks, we start an investigation process that works as follows:

- Identification
- Reporting
- Assessment
- Risk mitigation efforts

In 2022, we identified 254 occupational risks.

When a work accident occurs (materialized risk), we start an investigation process that works as follows:

- **Possible accident identification and monitoring** through documentation required by the Mexican Social Security Institute.
- **Risk classification** of the possible occupational accident by Mexican Social Security Institute.
- **Accident mitigation efforts.** The Volaris Health and Occupational Safety department provides recommendations to reduce the risk of an accident reoccurring in the future.

Moreover, we prepare an annual diagnosis based on NOM-030-STPS-2009, on Preventive Services of Health and Occupational Safety at Work – Functions and Activities, which considers activities undertaken to minimize risks such as:

1. Environmental studies, which we conduct every two years in collaboration with a third-party, to identify and evaluate noise, exposure to chemical substances, and improper lighting risks.
2. Use of personal protection equipment.
3. Inspection walks in our workplaces.
4. Hygiene and occupational safety commissions for each work center meet quarterly to identify risks and evaluate accidents if they have occurred.

In 2022, in compliance with NOM-002-STPS-2010, we carried out monthly checks of fire extinguishers, quarterly checks of electrical installations, and semi-annual checks of smoke detectors.

In addition to our procedures to identify risks, our Ambassadors can also report any possible occupational risks through a reporting channel, such as the Volaris Ethics Line, and emails to the Health and Occupational Safety team.

Work Accidents and Occupational Diseases

In 2022, we carried out initiatives to reduce the risk of work accidents and occupational diseases. For example, in June, we had a Health and Occupational Safety Week to promote good practices among Ambassadors, through activities such as accident drills, safe cargo handling, sleep hygiene, and healthy nutrition.

Moreover, related to the COVID-19 pandemic, we continue to maintain comprehensive measures to mitigate the spread of the virus and ensure a safe working environment for our Ambassadors through enhanced hygiene, testing, and vaccination services. By the end of 2022, we administered over 81,160 COVID-19 tests and 3,028 flu vaccines (2,559 for our Ambassadors and 469 for their families), and 98.5% of our Ambassadors were fully vaccinated against COVID-19.

In 2022, 5,908 Ambassadors received medical service.

In 2022, we experienced 330 work accidents, six occupational diseases, and no occupational fatalities. As in past years, women's accident rate remained higher than among men's. This is attributed to the fact that the flight attendants' guild, composed of 75% female members, accounted for the highest number of accidents.

GRI

403-6
403-9
403-10

SASB

TR-AL-540a.3
TR-AL-310a.1

Chart 26: Work accidents

	2019		2020		2021		2022	
	Women	Men	Women	Men	Women	Men	Women	Men
Total number of accidents (A)	136	51	73	31	94[67]	43[68]	**232[69]**	**98**
Total hours worked (B)	6,036,816	7,325,888	5,605,552	6,875,728	7,395,152	8,858,672	**8,118,419**	**9,934,765**
Accident Frequency Rate (AFR) = (A/B) X 200,000	4.51	1.39	2.60	0.90	2.54	0.97	**5.71**	**1.97**

Chart 27: Occupational diseases

	2019		2020		2021		2022	
	Women	Men	Women	Men	Women	Men	Women	Men
Number of occupational diseases (A)	1	3	3	1	4	2	**2**	**4**
Total hours worked (B)	6,036,816	7,325,888	5,605,552	6,875,728	7,395,152	8,858,672	**8,118,419**	**9,934,765**
Occupational Disease Incidence Rate (OIR) = (A/B) X 200,000	0.03	0.08	0.11	0.03	0.11	0.05	**0.05**	**0.08**

[67] GRI 2-4: In the 2021 IAR, the 2021 number of work accidents (women) was previously reported as 75 and instead should have been 94, resulting in an accident frequency rate amongst women of 2.54 instead of 2.0284, due to a change in methodology, by not considering those reported before the Mexican Social Security Institute.

[68] GRI 2-4: In 2021, the number of work accidents (men) was reported as 36 and instead should have been 43, resulting in an accident frequency rate amongst men of 0.97, instead of 0.8128, due to a change in methodology, by not considering those reported before the Mexican Social Security Institute.

[69] In 2022, women's number of work accidents increased more than 100% over 2021, mainly due to the increase in our operations after the pandemic and the larger number of female flight attendants.

GRI

2-4
403-9
403-10

SASB

TR-AL-540a.3
TR-AL-310a.1

Chart 28: Days lost due to disability

	2019		2020		2021		2022	
	Women	Men	Women	Men	Women	Men	Women	Men
Total number of days lost (A)	3,637	1,231	1,082	827	2,087[70]	869[71]	**3,846**	**1,575**
Total hours worked (B)	6,036,816	7,325,888	5,605,552	6,875,728	7,395,152	8,858,672	**8,118,419**	**9,934,765**
Lost workdays rate (LWR) = (A/B) X 200,000	120.49	33.61	38.60	24.06	56.44	19.62	**94.75**	**31.71**

Chart 29: Absenteeism rate

	2019		2020		2021		2022	
	Women	Men	Women	Men	Women	Men	Women	Men
Total number of days lost (due to absence) during the period (A)	2,652	2,152	2,884	1,707	4,019	2,545	**4,039**	**2,567**
Total number of days worked by the entire workforce during the same period (B)	754,602	915,736	700,694	859,466	924,394	1,102,950	**1,014,567**	**1,205,673**
Absenteeism rate (TAL) = (A/B) X 200,000	702.89	470.00	823.18	397.22	869.54	461.49	**796.20**	**425.82**

[70] GRI 2-4: The 2021 number of days lost due to disability (women) was previously reported as 120 and instead should have been 2,087, with the correct lost days rate of 56.44 instead of 3.2454 reported in 2021, due to a change in methodology, by not considering those reported before the Mexican Social Security Institute.

[71] GRI 2-4: In 2021 was previously reported as 47 and instead should have been 869, resulting in a lost days rate of 19.62, instead of 1.0611, due to a change in methodology, by not considering those reported before the Mexican Social Security Institute.

SASB

TR-AL-540a.3
TR-AL-310a.1

Community Engagement

We understand the importance of leveraging our capabilities to serve and support our local communities. We have two pillars in our community engagement strategy:

Corporate Volunteering

Our corporate volunteering strategy - *Volemos Juntos* - promotes volunteering and related philanthropic efforts consistent with the Company's goals and values. In 2022, we updated the scope of *Volemos Juntos* to give our Ambassadors more opportunities to serve their communities and promote social welfare.

Donations of flight tickets and cargo capacity for humanitarian purposes.

For more information about our Donations Policy, please refer to our webpage https://ir.volaris.com/about-volaris/by-laws-and-policies/.

SASB

TR-AL-540a.3
TR-AL-310a.1

Volunteering initiatives are centered on four areas, in partnership with non-profitable organizations:

01

Humanitarian Support

We seek to contribute to social welfare through our volunteering activities.

In 2022, we carried out events that were focused on the relief of ill people's needs and we held a blood drive at some of our airport locations.

02

Employee Volunteer In-Kind Contributions Programs

We aim to support Ambassadors' volunteer efforts by offering in-kind contributions to the organizations they actively volunteer with. This initiative recognizes and encourages employees' commitment to giving back and helps amplify the impact of their efforts.

In 2022, we organized a toy collection drive for children with diseases.

03

Employee Development and Sense of Purpose

We seek to foster our Ambassadors' engagement, personal growth, and professional development through community engagement activities. For example, our pilots, flight attendants, and other operational personnel work to fulfill the last wishes of children with terminal diseases.

In 2022, through recreational activities, we promoted Ambassador teamwork and their awareness of vulnerable populations to reinforce leadership skills, such as empathy, situation adaptability, and emotional intelligence.

In addition, in 2022, in coordination with the Mexican Red Cross, we fulfilled the dream of Leandro, a person with motor disabilities who had the dream of flying in an aircraft.

04

Environmental Sustainability

We promote environmental conservation to protect and preserve our communities' biodiversity and natural resources. We encourage our Ambassadors to be involved in events to raise awareness and support of conservation initiatives.

GRI
201-1

SASB
TR-AL-540a.3
TR-AL-310a.1

Chart 30: Key indicators for corporate volunteering activities

	2020[72]	2021	2022
Volunteers (number of Ambassadors)	0	17	**201**
Employee volunteer hours (paid)	0	47	**697**
Volunteering activities	0	8	**14**
Value generated through corporate volunteering (Mexican pesos)[73]	$0	$10,917	**$179,866**

[72] In 2020, we had no corporate volunteering activities due to the pandemic.
[73] Calculated using KPMG's True Value methodology.

SASB

TR-AL-540a.3
TR-AL-310a.1

Donations of Flight Tickets and Cargo Capacity

Through strategic alliances with non-profit, private, and public organizations, we provide free flight tickets and cargo capacity to promote social well-being and active engagement with the communities where we operate.

These efforts are focused on four areas:

01

Disaster Relief, Humanitarian Aid, & Medical Support

We provide free-of-charge humanitarian aid and medical support to communities during emergencies, through our *Avion Ayuda Volaris* program.

The pillars of *Avión Ayuda Volaris* are:

1. Support in natural disaster emergencies / civil protection.
2. Support in the transportation of organs and tissues for transplant purposes.
3. Support in health emergencies and medical treatments.
4. Support the reuniting of immigrants with their families.

In 2022, through *Avión Ayuda Volaris* **we were proud to transport more than five tons of humanitarian cargo**, including food, personal care items, and rainwater harvesting systems to Mexican communities in need.

We also provided free transportation to more than 150 volunteers and 125 organs/tissue for transplant purposes.

02

Social & Environmental Causes

We support social or environmental projects to enable individuals or organizations to contribute to positive social change and environmental conservation.

In 2022, we donated tickets to the ***Que Viva la Selva Lacandona*** project, whose main objective is to promote environmental awareness and biodiversity conservation among children and adolescents.

In addition, in 2022, **we donated tickets to paralympic athletes to enable them to attend competitions** and further their sporting careers.

Moreover, in 2022, **we also donated tickets to the BIFAM foundation**, a children's canteen and family assistance center.

SASB

TR-AL-540a.3
TR-AL-310a.1

03
Community Development

We facilitate air transportation to community leaders, entrepreneurs, or institutions engaged in supporting community development.

In 2022, **we donated tickets to the Neurological Institute of Guatemala** to facilitate collaboration and partnerships with other neurological institutes around the world.

Also, in 2022, **we donated tickets for specialists of the Guatemalan Children's Burn Foundation** to attend a Congressional session in Mexico. The session was focused on the importance of continued research to support the children and their families.

04
Access to Education

We offer support to organizations or individuals to enable access to educational opportunities.

In 2022, **we transported computer equipment for a childcare center for low-income children**. This donation enhanced the educational tools available to the children.

Moreover, in 2022, **we donated flight tickets to the *Sinfónica Azteca* project**, an innovative music education platform for young people that connects education and the global music industry.

Chart 31: Key indicators for donations of flight tickets and cargo capacity

	2020	2021	2022
Number of alliances	42	13	10
Tickets donated	135	205	318
Cargo capacity donated (tons)	49	3.1	5.2
Value generated through social programs (thousands of Mexican pesos.)[74]	$1,762	$1,392	$2,021

[74] Calculated using KPMG's True Value methodology.

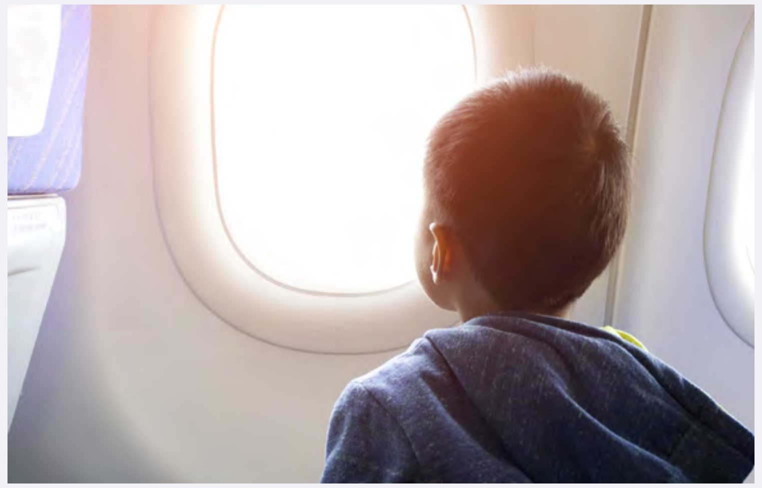
Human Trafficking Prevention

We acknowledge our responsibility to contribute to the development of an ethical and sustainable tourism industry by implementing programs that support our communities' well-being. We have a zero-tolerance policy against human trafficking for sexual exploitation purposes. We are members of The Code, an initiative by ECPAT International to protect children from trafficking, sexual exploitation, and online abuse.

In 2022, in collaboration with ECPAT International, we continued improving our efforts to protect children and adolescents from human trafficking through:

1. Annual training for our operational Ambassadors.
2. The implementation of ECPAT's Code in all stages of the flight to detect possible cases.
3. The inclusion of a clause in some commercial contracts with suppliers, especially those related to tourism promotion activities. This clause establishes that the supplier must comply with the guidelines of The Code and promote responsible tourism.

THE CODE .ORG



Volaris is the first airline in Mexico and in Latin America, and the second worldwide, to implement The Code.

In 2022, for the ninth consecutive year, we received the **Top Member Distinction** from ECPAT International, recognizing our efforts to protect children and adolescents' safety in our operations and promote these practices through our value chain.

This is just the beginning...

the opportunity to work for a better **future**

06 Our Climate Change Strategy

GRI

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

SASB

TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

54% NEO aircraft

15.7% CO_2 emissions intensity reduction from 2015

1st flight with SAF

Our Climate Change Strategy

At Volaris, we understand that the long-term sustainability of our business is contingent on understanding and managing the environmental impact of our operations and associated risks. Our goal is to meet the stakeholders' expectations by delivering safe, reliable, efficient, and cost-effective air transportation that aligns with the United Nations 2030 Agenda for Sustainable Development and evolving market expectations.

"With the collective efforts of the entire value chain and supportive government policies, aviation will achieve net zero emissions by 2050."

- William Walsh, **Director General of IATA**

Our Goals

Volaris is cognizant that the aviation industry is responsible for approximately 2%-3% of global CO_2 emissions, and we are taking steps to reduce our portion of this impact by tying our operational goals to our efforts to reduce aircraft fuel consumption. In 2021, we joined IATA's Fly Net Zero initiative, a commitment by the air transport industry to achieve net-zero carbon emissions by 2050 in line with the objectives of the Paris Agreement.

In 2021, **Volaris committed to reducing our Scope 1 aircraft CO_2 emissions intensity by 35.4%, measured in grams of CO_2 per revenue passenger kilometer onboard (gCO_2/RPK onboard) by 2030, compared to a 2015 baseline[75].** Our emissions reduction goal was then used as the basis for the issuance of a sustainability-linked bond.

These asset-backed notes comply with the International Capital Market Association's Sustainability-Linked Bond Principles 2020 and were further validated through a Second-Party Opinion from a recognized external agency.

The notes' sustainability objectives include intermediate goals to reduce Scope 1 aircraft gCO_2/RPK by 21.5%, 24.1%, and 25.5% by 2022, 2023, and 2024, respectively, compared to 2015 levels. In 2022, we closed a similar sustainability-linked pre-delivery aircraft financing facility.

[75] In 2015, our fleet began to be replaced by Airbus A320neo family aircraft. That is why 2015 is used as a baseline.

SASB

TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

Our Emissions Reduction Pathway

In 2023, Volaris published its first **Task Force on Climate-Related Financial Disclosures (TCFD)** Report. This publication is part of our commitment to transparency on our governance, strategy, risk management, metrics, and targets related to our key climate-related risks and opportunities. To read more about how we are addressing the challenge of climate change for our business, please see our full Report:

2022 TCFD report

To meet our 2030 carbon emissions intensity goal, we have a multi-faceted approach implemented through our environmental management systems. This approach consists of near-term measures and long-term goals that seek to balance our operational growth with our commitment to environmental stewardship.

By 2030, reduce our Scope 1 aircraft CO_2 emissions intensity by 35.4% gCO_2/RPK vs. a 2015 baseline.

Fuel Saving Program

Fleet renewal

By 2028: 100% Airbus A320neo family fleet

Technology upgrades

By 2028: 100% of fleet equipped with sharklets & NEO engines

Onboard weight reduction

By 2023: 70% of the fleet will be equipped with super-lightweight trolleys

By 2028: Recaro lighter seats installed in 80 aircraft

Route optimization

Continued optimization of our point-to-point network

Operational techniques

APU usage minimization

Regulatory Compliance

Emissions reporting

Report our GHG emissions to the Mexican authorities annually

GRI
305-1
305-5

SASB
TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

Environmental Management

Volaris' climate change strategy is underpinned by our Integrated Environmental Protection Policy, which establishes the framework to manage our environmental impact and achieve key goals, including the reduction of our Scope 1 aircraft CO_2 emissions intensity.

The day-to-day management of our environmental programs is owned by the collaborative and multidisciplinary group named Green Team, which is focused on monitoring and continuous improvement of Company processes certified under ISO 9001 and ISO 14001. The Green Team is coordinated by the Operations Engineering department and has representatives from Dispatch, Crisis Management, Fuel, Industrial Safety, Corporate Sustainability, Flight Operations, Cargo Operations, Flight Operations Engineering, Procedures and Standards Engineering, Real Estate Planning, and Crew Control departments.

The Green Teams' main functions include the following:

1. Propose environmental objectives, goals, and initiatives that allow us to comply with the Integrated Environmental Policy.
2. Review the results of the Company's environmental programs and propose improvements as necessary.
3. Identify and evaluate significant environmental issues of the Company.
4. Pursue the necessary resources for environmental programs that contribute to improving environmental conditions.
5. Evaluate the efficiency of our monitoring programs.

GRI
3-3

SASB
TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

Integrated Airline Management System (IAMS)

The IAMS is a comprehensive management system that covers environmental management, in addition to aviation security, operational safety, supplier management, and more.

In maintaining our IAMS, Volaris seeks to:

- Provide the necessary resources for the implementation and continuous improvement of the Volaris organization, its IAMS, and environmental performance.
- Regularly review 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 waste resulting from our activities, contribute to the protection of biodiversity, and adapt to the effects of climate change.

In 2022, our IAMS held ISO 9001:2015, ISO 14001:2015, and IOSA certifications.
These certifications cover the following areas of our operations:

ISO 9001:2015.
Includes the following processes: the Organization of the Operational Control Center, 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.
Applies to the Organization of the Operational Control Center, Crisis Management Department, Fuel Savings Program, Administrative Activities of the Corporate Offices Ecological Offices), and Emissions Monitoring processes.

IOSA Certification.
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.

Integrated Airline Management System
(Certified under ISO 14001 & ISO 9001)

Fuel Saving Program
- Fleet renewal.
- Technology upgrades.
- Onboard weight reduction.
- Operational techniques.

Facilities Mgmt.
- Electricity consumption.
- Non-hazardous waste.
- Recycling program.

Flight Operations
- Hazardous waste management.
- Cargo handling.
- Crew planning & training.
- Emergency response mgmt.

New Technology
- SAF.

Regulatory Compliance
- Emissions monitoring & reporting.

Carbon Offsets
- #CielitoLimpio program.

Compliance with Environmental Regulation

At Volaris, we seek to comply with all applicable environmental regulations in all our operations. **In 2022, we received no significant sanctions or fines related to non-compliance with environmental legislation.**

We emphasize our compliance with the Carbon Offset and Reduction Scheme for International Aviation (CORSIA) adopted by the International Civil Aviation Organization (ICAO), which provides a framework for a global market-based measure to stabilize the aviation industry's CO_2 emissions associated with international travel. Accordingly, we report our Scope 1 aircraft CO_2 emissions from international flights to Mexico's Federal Civil Aviation Agency (AFAC), which verifies the reported figures.

In Mexico, we comply 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).

Moreover, we are constantly monitoring any new environmental regulations applicable to Volaris and their potential impact on the Company.

GRI

2-27

SASB

TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

GHG Emissions

Our path toward 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 the industry, including fleet technology developments, operational initiatives for fuel reduction, and increased sufficient and cost-efficient availability of sustainable aviation fuels (SAF), among others.

In 2022, our Scope 1 aircraft CO_2 emissions intensity was 73.6 gCO_2/RPK onboard, a 15.7% reduction from 2015 (87.3 gCO_2/RPK onboard).

Due to several market factors, we fell short of our planned 21.5% reduction in Scope 1 aircraft gCO_2/RPK onboard by 2022 vs. 2015. First, our transition to the Airbus A320neo family aircraft was slowed due to significant delays in the delivery of the new aircraft. These delivery schedule delays have required Volaris to operate older, less efficient aircraft for longer than intended, leading to increased carbon emissions. In addition, the continued downgrade of the IASA Program rating for Mexico from Category 1 to Category 2 by the U.S. Federal Aviation Administration (FAA) has prevented us from incorporating our existing eco-efficient NEO aircraft on long routes to the U.S. We plan to work closely with our suppliers and key regulatory agencies to get back on track in future years and will continue to work to maximize emission reduction opportunities within our current fleet as much as possible.

Chart 32: Scope 1 aircraft CO_2 emissions intensity (gCO_2/RPK onboard)[76]

	2015	2019	2020	2021	2022
gCO_2/RPK Onboard	87.3	76.4	81.5	75.7	73.6
gCO_2 (flight operations + land operations APU)	1,560,780,030	2,463,756,884	1,729,113,448	2,683,594,650	3,344,488,019
RPK Onboard	17,874,000	32,267,357	21,208,740	35,427,511	45,451,422

For more information on how we are keeping sustainability at the forefront of our fleet expansion, please see the "Fleet and Fuel Efficiency" section of this chapter.

Chart 33: Total GHG emissions by Scope (metric tons CO_2)

	2019	2020	2021	2022
Scope 1	2,464,765	1,729,785	2,684,278	3,345,231
Scope 2	335	286	258	283
Total	2,465,100	1,730,071	2,684,536	3,345,514

[76] gCO_2 includes emissions of aircraft flights and emissions associated with taxiing and the use of auxiliary power units (APU) at the gate.

Chart 34: Scope 1 (direct) mobile emissions from flight operations

Scope 1 (Direct) Emissions – Flight Operations in metric tons CO_2e				
Process	2019	2020	2021	2022
Jet fuel - flight operations	2,418,647	1,700,393	2,644,019	3,297,455
Total	2,418,647	1,700,393	2,644,019	3,297,455

Chart 35: Scope 1 (direct) mobile emissions from ground operations

Scope 1 (Direct) Emissions – Land Operations in metric tons of CO_2e				
Process	2019	2020	2021	2022
Land operations (APU[77]) – jet fuel	45,110	28,720	39,576	47,033
Operation of ground vehicles – diesel	344	225	75	80
Operation of ground vehicles – gasoline	665	446	608	663
Total	46,118	29,391	40,260	47,776

[77] The Auxiliary Power Unit (APU) is a small engine in the tail of the aircraft that serves multiple purposes, including providing electrical power for aircraft systems, starting the main engines, and supplying air conditioning and pressurization when the aircraft is on the ground.

Note: The calculations were performed following the provisions of Annex 16, Volume IV of the Chicago Convention (ICAO), Mandatory Circular CO AV 16.5/18, issued by the 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 GWP = 28; and N2O GWP = 265. (Source: National and international emissions report required by AFAC, CORSIA emissions reports for 2019-2022, 2019-2022 calculations required by SEMARNAT.)

Chart 36: Where we are headed – Scope 1 aircraft CO_2 emissions

Year	g CO_2/RPK (Onboard)[78]	% Reduction Since 2015[79]
2015	87.3	0.0%
2019	76.4	-12.6%
2020	81.5	-6.6%
2021	75.7	-13.3%
2022	73.6	-15.7%

Chart 37: Where we are headed – fuel savings- using NEO engines

Year	% Reduction (Gal/ASMs) since 2015)[80]	Gallons of Reduction Since 2015 (million)
2015	0.0%	-
2019	-11.6%	-33.0
2020	-16.9%	-35.8
2021	-15.9%	-51.7
2022	-17.1%	-69.9
2026 (goal)	-22.0%	-126.0
2030 (goal)	-30.6%	-2,336.0

[78] GRI 2-4: In 2021 we reported carbon intensity emissions (gCO_2/RPK Onboard) considering only the emission of flight operations. In 2022, we are reporting gCO_2/RPK Onboard considering emission of land operations APU, due to a change in methodology, to be aligned to the aviation industry standard. The 2020 and 2021 KPIs were previously reported as 83.86 and 74.63 respectively, instead should have been 81.53 and 75.75 respectively.

[79] GRI 2-4: In 2021 we reported intensity emissions reduction with RPK booked passengers. In 2022, we are reporting RPK with onboard passengers, due to a change in methodology, to be aligned to the aviation industry standard. The 2019, 2020, and 2021 reduction vs. 2015 baseline was previously reported as -13.5%, -12.5%, and -14.8% respectively, instead should have been -12.6%, -6.6%, and -13.3% respectively.

[80] In 2015, our fleet began to be replaced by Airbus A320neo family aircraft. That is why 2015 is used as a baseline.

GRI

2-4
305-1
305-2

SASB

TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

Chart 38: Fuel usage by type

Fuel types	2019	2020	2021	2022
Jet fuel (metric tons)	779,670	547,188	849,239	1,058,210
Gasoline (liters)	261,916	186,565	254,504	260,426
Diesel (liters)	119,892	79,523	26,597	27,718
Total (GJ)	33,382,525	23,428,460	36,356,737	45,301,066

Note: 1 liter of gasoline is equal to 33.14 megajoules.

Note: 1 liter of diesel is equal to 37.68 megajoules.

Note: 1 kilogram of jet fuel is equal to 42.8 megajoules.

Chart 39: Fuel consumption by operation (gallons per 1,000 available seats miles (ASMs))

	Fuel Usage (gallons per 1,000 ASMs)			
Process	2019	2020	2021	2022
Jet fuel (flight operations)	10.1	9.5	9.6	9.5
Total jet fuel (ground and flight operations)	10.3	9.7	9.8	9.6

GRI

302-1
302-3

SASB

TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

Fleet and Fuel Efficiency

Fuel consumption constitutes our largest expense and is the most critical negative externality due to the GHG emissions generated by burning fossil fuels.

Fleet Renewal and Technology Upgrades

Our fleet renewal and acquisition plan focus on the Airbus A320neo family aircraft. By the end of 2022, our fleet consisted of 117 Airbus A320 Family aircraft, 16 net more than in 2021, with an average of 191 seats per aircraft. We take full advantage of the capacity of our aircraft through seating plans designed to maximize the number of possible passengers per flight. Our continued investment in our fleet has helped to keep the average age of our aircraft among the youngest in the market. **In 2022, the average age of our fleet was 5.4 years.**

Chart 40: Volaris fleet composition

	2019	2020	2021	2022
Total aircraft	82	86	101	117
Percentage NEO aircraft	28%	35%	45%	54%

As of December 31, 2022, 54% of our fleet is powered by NEO (Pratt & Whitney GTF) engines, which are more eco-efficient and reduce annual fuel consumption by as much as 15%, compared to current engine options. The NEO engines also minimize nitrogen oxide emissions by 50% and reduce the sound footprint by 75%, compared to current engine options.

In addition, 86% of our fleet is equipped with sharklets. These aerodynamic devices reduce fuel consumption by up to 4% and reduce CO_2 emissions by about 18,000 tons compared to aircraft without sharklets.

Flight Planning

Volaris has implemented several operational procedures and strategic flight planning decisions so we can operate our fleet as efficiently as possible and reduce fuel consumption. Some of these initiatives include:

- **Route optimization.** 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, enabling us to avoid stopovers and thus reduce our fossil fuel consumption. Flight plans are designed to minimize navigational miles whenever feasible.
- **Strategic aircraft design.** Our planes feature higher seat configurations so we can transport more people on each flight.
- **Pilot operational techniques.** We train our pilots to employ specific actions and practices to enhance the efficient operation of an aircraft. For example, we utilize machine learning software to brief pilots on personal performance and potential fuel savings.

APU usage minimization. We promote the use of lower-emission ground power sources, such as Ground Power Units (GPU) when possible, to minimize APU usage while an aircraft is on the ground. **In 2022, we used aircraft APU, approximately 35.7 minutes per operation, equivalent to a reduction of 5.4%, compared to 37.2 minutes per operation in 2021. This, in turn, is equivalent to saving 15,154 thousand gallons of fuel.**

GRI
3-3
302-4
305-5

SASB
TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

Onboard Weight Reduction

Lighter aircraft consume less fuel and generate fewer GHG emissions, so Volaris continues to minimize onboard weight by optimizing various aspects of the inflight experience, including cabin furnishings and catering supplies.

We have acquired lighter trolleys or onboard service carts that are 25% lighter than previous models. **By the end of 2022, about 27% of our trolleys** were lighter. By 2023, we aim to have 70% of our onboard service carts be lighter trolleys.

In addition, we have adopted a streamlined approach by eliminating non-essential items such as printed magazines and manuals, galleys, and screens.

Between 2023 and 2028, we plan to install lighter Recaro seats in 80 aircraft. Recaro seats are 30% lighter.

Furthermore, in 2022, we continued efforts to optimize fuel load per flight, resulting in less ballast weight and consumption. For each flight, **we reduced 123 kilograms of ballast, equivalent to an annual saving in fuel consumption of 365,935 gallons.**

Electricity Consumption

Though electricity consumption comprises a relatively small portion of our overall GHG emissions, we continue to strive to reduce unnecessary energy use at our facilities. 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 other electricity-saving technology. **In 2022, electricity consumption in corporate offices totaled 651,207 kWh.** This usage constituted an approximately 6.9% increase from 2021 but remained below 2019 (pre-pandemic) levels. This increase is consistent with our return to the office after 2020 and 2021, when many of our Ambassadors worked remotely during the COVID-19 pandemic.

Chart 41: Electricity consumption[81]

	2019	2020	2021	2022
Scope 2 emissions (tons CO_2e)	335	286	258	283
Electricity consumption (kWh)	663,537	578,955	609,227	651,207
Energy consumption (GJ)	2,389	2,084	2,193	2,344

Note: The ratio used to convert kWh to GJ was 1 kWh = 0.0036 GJ.

[81] We did not consume electricity from renewable sources.

Sustainable Aviation Fuels

Volaris continues to champion SAFs as a key lever to reduce carbon emissions in the aviation industry. SAFs are a low-carbon alternative to conventional jet fuel and can be produced from a variety of renewable sources, such as waste oils, agricultural residues, and non-food crops.

In August 2022, Volaris celebrated a major milestone, operating our first flight with SAF upon taking delivery of our 114th aircraft, an Airbus 320neo.

However, SAFs is not currently available at scale and competitive prices to replace fossil jet fuel in our operations. The supply of SAFs in the jet fuel market is limited in the countries where we operate and currently contributes to less than 1% of global commercial aviation fuel used. 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 SAFs. Government policies and incentives as well as sufficient third-party investment in SAFs are needed to make SAFs commercially and economically feasible for companies that will require large quantities of SAFs, such as Volaris.

Nevertheless, Volaris seeks to advance the viability of SAFs on a large scale. In November 2022, Volaris partnered with Airbus and other major airlines and aviation associations in Mexico to request research proposals from different countries' universities and research institutions on ways to accelerate the production and scalability of SAFs.

In April 2023, Volaris announced a U.S. $50 million investment agreement, alongside several other firms, with North American startup company CleanJoule, which aims to accelerate the production of SAF worldwide. As part of this agreement, Volaris will receive an estimated 30 million gallons of SAF.

#cielitolimpio

Emissions Voluntary Offset Program

While not a substitute for absolute reduction, voluntary carbon offsets enable Volaris to mitigate carbon emissions that result from our operations. 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 impact of their trips. Thanks to these voluntary offsets, certified carbon credits are acquired from the Mexican Carbon Platform (MexiCO_2), destined for developing environmental projects to neutralize atmospheric carbon emissions.

For more information on the types of projects funded by #CielitoLimpio through the MexiCO_2 Platform, please visit the MexiCO_2 website.

In 2022, Volaris customers offset 932 metric tons of CO_2 through the #CielitoLimpio program.

SASB
TR-AL-110a.1
TR-AL-110a.2
TR-AL-110a.3
TR-AL-000.F

Waste Management

Volaris is committed to responsible waste management practices, striving to minimize our environmental impact through proper waste disposal, and recycling initiatives through our hazardous and non-hazardous waste management programs.

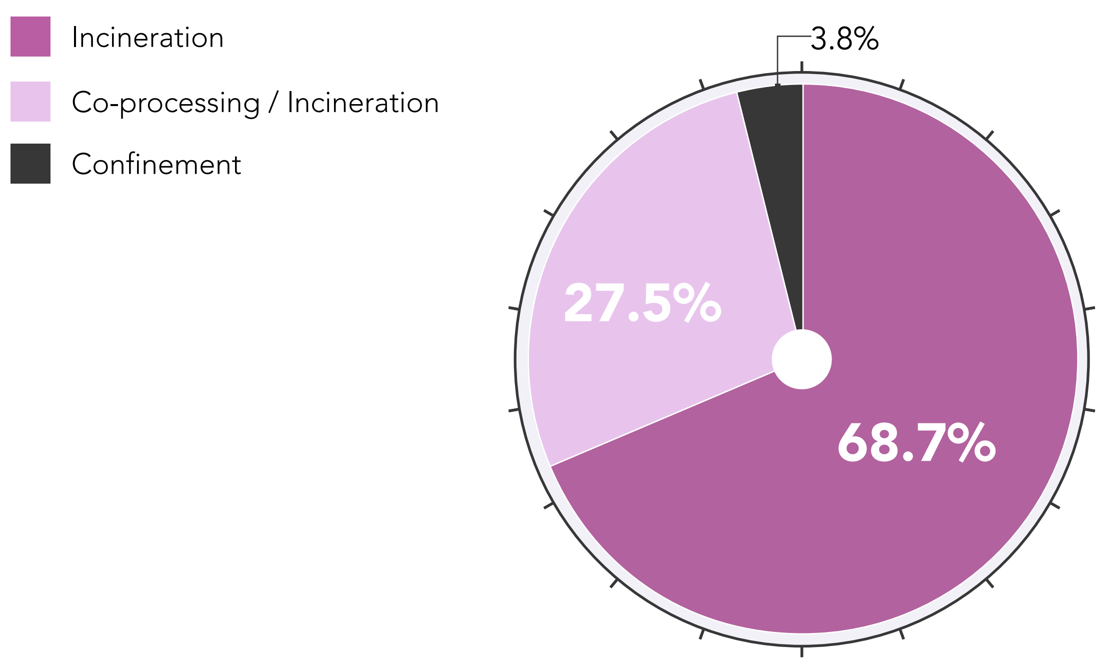
Hazardous Waste Management

Volaris' hazardous waste is generated mainly from aircraft maintenance. We follow all regulatory requirements and have implemented proper waste management practices to ensure the safe handling, storage, transportation, and disposal of these hazardous waste streams.

Chart 42: Generation and disposal of hazardous waste

	2019	2020	2021	2022
Total (tons)	55.0	42.5	50.6	70.9
Fleet size (number of aircraft)	82	86	101	117
Hazardous waste intensity (tons/aircraft)	0.7	0.5	0.5	0.6

Graph 9: Hazardous waste disposal by method



Non-Hazardous Waste Management

Volaris has solid waste management processes in our corporate offices to separate waste into special containers. In 2022, solid waste management was carried out only at the corporate offices in Mexico City.

We also seek to minimize waste generated from marketing and advertising materials. Ninety-five percent of our marketing outreach is done via digital platforms, resulting in less printed material used for advertising campaigns. In addition, we seek to ensure that all printed advertising materials — banners, flyers, tents, inflatables, and posters, among others — are made with recyclable materials.

Finally, we have established a **Paperless Policy** to reduce our paper consumption in the operational activities and in the corporate offices. In our corporate offices we promote that only the most essential documents are printed, thus minimizing our usage of paper, ink, and printer energy. As a result, **paper consumption in corporate offices continued to decrease from 1.6 tons of paper in 2021 to 1.3 tons in 2022.** In addition, we have adopted digitalization processes in our operation to enable operational efficiency, cost reduction, and protection of the environment.

In 2023, we will save 8.8 tons of paper by digitalizing the crew briefing packages and 5.9 tons of paper by operational flight plans.

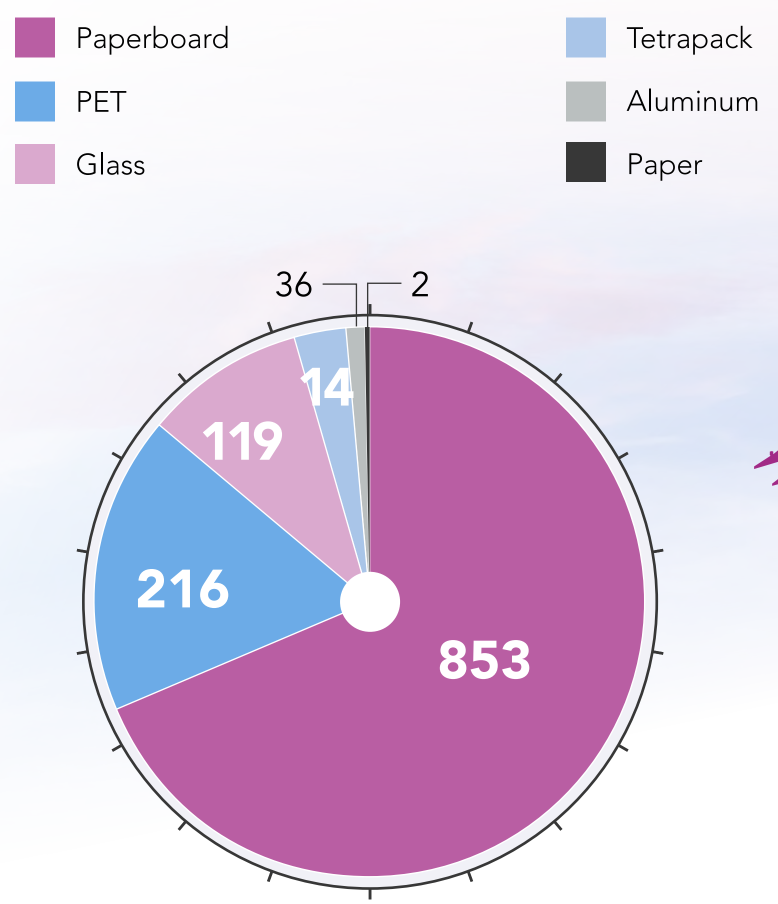
Onboard, our inflight catering service has transitioned to environmentally friendly products. Since 2021, 100% of single-use plastics materials of our onboard service, such as forks, napkins, soap, bags, and stirrers, are made with biodegradable materials to reduce plastic waste. Additionally, 98% of the products we offer for onboard sale have biodegradable packages, and we seek to reach 100% biodegradable packaging in 2023.

Moreover, in 2024, **we plan to switch to a 100% digital Entre Nubes food menu to reduce paper usage onboard.**

Recycling Program

We promote recycling and have implemented solid waste recycling in our corporate operations. In 2022, we recycled 1.24 metric tons of waste through our supplier On-Site, which certified us for our recycling practices.

Graph 10: Composition of recycling stream (kg)



Total recycled waste in 2022: 1,240 kg/ 1.2 metric tons[82]

[82] GRI 2-4: In the 2021 IAR, the total amount of recycled waste in kg was reported as 1,393.60 tons and instead should have been 1.393.60 kg or 1.39 tons, due to an editing error.

This is just the beginning...

the opportunity to continue delivering **good results**

07 Our Economic Performance

GRI

3-3, 201-1

U.S. $8.1 cents TRASM

U.S. $4.0 cents Adjusted CASM ex-fuel

20.6% EBITDAR margin

Our Economic Performance

2022 was a year of growth for Volaris. We transported **over 31 million passengers** — our most ever — driving our **total operating revenue to U.S. $2,847 million** despite significant economic volatility.

Full Year 2022 Highlights

Total operating revenues of **U.S. $2,847 million, a 29% increase.**

Total revenue per available seat mile **(TRASM)** increased 2.1% to **U.S. $8.1 cents.**

Available seat miles **(ASMs)** increased 26% to **35.3 billion.**

Total operating expenses of **U.S. $2,804 million**, representing 98% of total operating revenue.

Total operating expenses per available seat mile **(CASM)** increased 23% to **U.S. $8.0 cents.**

Average economic fuel cost increased by 68% to U.S. $3.8 per gallon.

CASM ex-fuel increased 0.3% to **U.S. $4.3 cents.**

Adjusted CASM ex-fuel decreased 0.5% to **U.S. $4.0 cents.**

Net loss of **U.S. $80 million.**

Loss per share of U.S. $0.03 and loss per ADS of U.S. $0.26.

EBITDAR of **U.S. $586 million**, a 27% decrease.

EBITDAR margin was **20.6%,** a decrease of 16.1 percentage points.

Note: All figures are compared to 2021 unless otherwise noted.

GRI
3-3

Chart 43: Retained economic value (in U.S. $million)

	2019	2020	2021	2022
Income				
	1,844	1,111	2,170	2,847
Expenses				
Employee salaries and benefits	191	173	236	283
Operating costs and expenses (excluding salaries)	1,422	1,101	1,542	2,520
Capital providers (payments for financing)	12	14	11	18
Payments to the overnment (taxes)	339	186	370	530
Investments in the community	123	88	68	100
Total distributed economic value	2,087	1,562	2,227	3,437
Retained economic value	(243)	(452)	(57)	(590)

Chart 44: Operating data key performance indicators

	2019	2020	2021	2022
ASMs (million)	24,499	18,275	28,097	35,281
Load factor (%)	86%	80%	85%	86%
Booked passengers (thousands)	21,975	14,712	24,405	31,051
TRASM (U.S. $cents)	7.5	6.2	7.8	8.1
CASM ex fuel (U.S. $cents)	4.1	5.1	4.2	4.3

GRI

3-3
201-1

08
Appendix

Consolidated Financial Statements

Years Ended December 31, 2022, 2021 and 2020 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 U.S. dollars

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 statements of financial position as of December 31, 2022 and 2021, the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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

We draw attention to Note 1 (b) of the consolidated financial statements, which describes the effects of a change in the presentation currency of the Group. Our opinion is not modified in respect of this matter.

We draw attention to Note 1(b) to the consolidated financial statements, which describes that Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and its subsidiary Concesionaria Vuela Compañía de Aviación, S.A.P.I. de C.V. (operating Company based in Mexico that provides air transportation services) changed the functional currency from Mexican peso to US dollar. The change in functional currency was as of December 31, 2021 and was 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, 2022 the Group has recorded an aircraft and engine lease return obligation in the amount of $249,466. 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 to the average of current usage and the Group's business plan, 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.

Evaluation of the migration to the new financial reporting system

The key audit matter

During 2022, the Group implemented a new financial reporting information system (SAP4HANA).

A system change involves the implementation of new processes, controls, and delegation of authority, as well as the migration of financial data from legacy systems to the new system.

We have identified the evaluation of the migration to the new reporting system as a key audit matter, because such a process presents inherent risks of failure of information technology dependent controls and loss of integrity of the financial data being migrated, which could lead to errors in the financial reporting.

How the matter was addressed in our audit

Our audit procedures to address this key audit matter included, among others, the involvement of experienced and knowledgeable information technology professionals who assisted us in the assessment of:

- The strategy and project management over the implementation of the new system.
- The impact of general information technology controls as a result of the implementation and stabilization of the new financial reporting system.
- The impact of the implementation of the new financial reporting system over certain automatic controls at the process level.
- The integrity of the opening balances migrated to the new system.

Other Matter relating to comparative information

The consolidated financial statements of the Group as of and for the year ended December 31, 2020, (from which the statement of financial position as of January 1, 2021 is derived) excluding the retrospective adjustments regarding the change in presentation currency described in Note 1 (b) to the consolidated financial statements, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2021.

As part of our audit of the consolidated financial statements as at and for the year ended December 31, 2022, we also audited the retrospective adjustments described in Note 1 (b) to the consolidated financial statements that were applied to restate the comparative information. We were not engaged to audit, review, or apply any procedures to the comparative information as of January 1, 2021 and for the year ended December 31, 2020, other than with respect to the retrospective adjustments described in Note 1 (b) to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on comparative information as of January 1, 2021 and for the year ended December 31, 2020. However, in our opinion, the retrospective adjustments described in Note 1 (b) to the consolidated financial statements are appropriate and have been properly applied.

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, 2022, 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. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 19, 2023

Consolidated Statements of Financial Position

(In thousands of U.S. dollars)

	At December 31,				January 1st, 2021*	
	2022		2021*			
Assets						
Current assets:						
Cash, cash equivalents and restricted cash (Note 6)	US$	711,853	US$	741,122	US$	506,468
Accounts receivable:						
Related parties (Note 7)		2,155		4,662		3,641
Other accounts receivable, net (Note 8)		78,849		50,264		28,104
Recoverable value added tax and others		94,348		35,862		46,242
Recoverable income tax		64,774		15,296		23,643
Inventories (Note 9)		15,758		14,397		13,984
Prepaid expenses and other current assets (Note 10)		33,189		38,387		42,631
Derivative financial instruments (Notes 3 and 5)		-		-		10
Assets held for sale (Note 1j and Note 12)		795		-		-
Guarantee deposits (Note 11)		64,357		78,990		57,245
Total current assets		1,066,078		978,980		721,968
Non-current assets:						
Rotable spare parts, furniture and equipment, net (Note 12)		478,771		454,602		364,994
Right-of-use assets (Note 14)		2,180,931		1,917,235		1,720,223
Intangible assets, net (Note 13)		12,725		12,632		9,603
Derivative financial instruments (Notes 3 and 5)		1,585		1,398		16
Deferred income taxes (Note 20)		208,010		141,272		156,830
Guarantee deposits (Note 11)		483,878		455,372		422,320
Other long-term assets		35,675		23,077		22,269
Total non-current assets		3,401,575		3,005,588		2,696,255
Total assets	US$	4,467,653	US$	3,984,568	US$	3,418,223
Liabilities and equity						
Current liabilities:						
Unearned transportation revenue (Note 21)	US$	346,469	US$	303,982	US$	293,298
Suppliers		194,856		108,164		112,275
Related parties (Note 7)		14,610		10,547		6,266
Accrued liabilities (Note 15a)		186,572		178,096		118,117
Lease liabilities (Note 14)		335,620		283,843		325,038
Other taxes and fees payable (Note 1s)		218,329		131,182		112,096
Income taxes payable		5,738		4,187		201
Derivative financial instruments (Notes 3 and 5)		-		-		484
Financial debt (Note 5)		112,148		196,898		78,145
Other liabilities (Note 16)		5,398		34,635		5,074
Total current liabilities		1,419,740		1,251,534		1,050,994
Non-current liabilities:						
Financial debt (Note 5)		160,887		108,039		190,276
Accrued liabilities (Note 15b)		13,283		1,475		3,343
Lease liabilities (Note 14)		2,373,103		2,128,294		1,887,163
Other liabilities (Note 16)		244,454		166,930		133,727
Employee benefits (Note 17)		10,987		3,968		2,538
Deferred income taxes (Note 20)		10,462		11,191		10,014
Total non-current liabilities		2,813,176		2,419,897		2,227,061
Total liabilities		4,232,916		3,671,431		3,278,055
Equity (Note 19):						
Capital stock		248,278		248,278		248,278
Treasury shares		(12,866)		(8,652)		(9,412)
Contributions for future capital increases		-		-		-
Legal reserve		17,363		17,363		17,363
Additional paid-in capital		283,174		281,037		284,257
Accumulated deficit		(155,903)		(75,679)		(182,132)
Accumulated other comprehensive loss		(145,309)		(149,210)		(218,186)
Total equity		234,737		313,137		140,168
Total liabilities and equity	US$	4,467,653	US$	3,984,568	US$	3,418,223

The accompanying notes are an integral part of these consolidated financial statements.
*The comparative Consolidated financial statements have been re-presented from Mexican peso to U.S. dollar to reflect the Company's change in presentation currency. See note 1 b) for additional information.

Consolidated Statements of Operations

(In thousands of U.S. dollars except for earnings per share)

	For the years ended December 31,				
	2022		2021*		2020*
Operating revenues (Notes 21 and 26):					
Passenger revenues:					
Fare revenues	US$	1,661,176	US$ 1,265,980	US$	626,909
Other passenger revenues		1,078,251	866,944		415,997
		2,739,427	2,132,924		1,042,906
Non- passenger revenues					
Other non-passenger revenues (Note 21)		92,977	76,872		41,841
Cargo		14,786	11,882		9,647
Non-derivative financial instruments		-	(21,378)		(19,408)
		2,847,190	2,200,300		1,074,986
Other operating income (Note 22)		(25,066)	(10,758)		(33,619)
Fuel expense, net		1,299,254	609,390		321,541
Landing, take-off and navigation expenses		379,108	296,831		195,989
Depreciation of right of use assets (Note 14)		320,443	269,351		236,417
Salaries and benefits		283,089	239,215		163,776
Aircraft and engine variable lease expenses		124,532	83,373		85,957
Sales, marketing and distribution expenses		124,287	96,705		86,705
Other operating expenses (Note 22)		102,585	65,858		54,413
Maintenance expenses		97,783	96,256		55,227
Depreciation and amortization (Notes 12 and 13)		97,486	57,049		42,098
Operating income (loss)		43,689	397,030		(133,518)
Finance income (Note 23)		12,902	3,531		4,784
Finance cost (Note 23)		(192,535)	(139,374)		(138,320)
Foreign exchange gain (loss), net (Note 3b)		3,581	(124,161)		13,601
(Loss) income before income tax		(132,363)	137,026		(253,453)
Income tax benefit (expense) (Note 20)		52,139	(30,573)		61,731
Net (loss) income	US$	(80,224)	US$ 106,453	US$	(191,722)
(Loss) earnings per share basic:	US$	(0.069)	US$ 0.092	US$	(0.191)
(Loss) earnings per share diluted:	US$	(0.069)	US$ 0.091	US$	(0.188)

The accompanying notes are an integral part of these consolidated financial statements.
*The comparative Consolidated financial statements have been re-presented from Mexican peso to U.S. dollar to reflect the Company's change in presentation currency. See note 1 b) for additional information.

Consolidated Statements of Comprehensive Income

(In thousands of U.S. dollars)

	For the years ended December 31,					
	2022		2021*		2020*	
Net (loss) income for the year	US$	(80,224)	US$	106,453	US$	(191,722)
Other comprehensive (loss) income:						
Other comprehensive (loss) income to be reclassified to profit or (loss) in subsequent periods:						
Discontinuation of hedge relationships (Note 24b)		-		79,076		(79,824)
Net gain (loss) on cash flow hedges (Note 24b)		336		957		(8,207)
Income tax effect (Note 20c)		(80)		(274)		2,347
Exchange differences on translation of foreign operations		3,471		(10,489)		(38,699)
Other comprehensive (loss) income not to be reclassified to profit or (loss) in subsequent periods:						
Remeasurement gain (loss) of employee benefits (Note 17)		253		(432)		(105)
Income tax effect (Note 20c)		(79)		138		39
Other comprehensive income (loss) for the year, net of tax	US$	3,901	US$	68,976	US$	(124,449)
Total comprehensive (loss) income for the year	US$	(76,323)	US$	175,429	US$	(316,171)

The accompanying notes are an integral part of these consolidated financial statements.
*The comparative Consolidated financial statements have been re-presented from Mexican peso to U.S. dollar to reflect the Company's change in presentation currency.
See note 1 b) for additional information.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022, 2021 and 2020

(In thousands of U.S. dollars)

	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, 2019*	US$ 225,531	US$ (6,968)	US$ -	US$ 17,363	US$ 141,648	US$ 9,590	US$ (93,737)	US$ 293,427
Capital stock increase (Note19)	22,747	-	-	-	141,652	-	-	164,399
Treasury shares	-	(4,511)	-	-	3,024	-	-	(1,487)
Long-term incentive plan cost (Note 18)	-	2,067	-	-	(2,067)	-	-	-
Net loss for the year	-	-	-	-	-	(191,722)	-	(191,722)
Other comprehensive loss items	-	-	-	-	-	-	(124,449)	(124,449)
Total comprehensive loss	-	-	-	-	-	(191,722)	(124,449)	(316,171)
Balance as of December 31, 2020*	248,278	(9,412)	-	17,363	284,257	(182,132)	(218,186)	140,168
Treasury shares	-	(4,366)	-	-	(953)	-	-	(5,319)
Exercise of stock options (Note 18)	-	2,859	-	-	-	-	-	2,859
Long-term incentive plan cost (Note 18)	-	2,267	-	-	(2,267)	-	-	-
Net income for the year	-	-	-	-	-	106,453	-	106,453
Other comprehensive income items	-	-	-	-	-	-	68,976	68,976
Total comprehensive income	-	-	-	-	-	106,453	68,976	175,429
Balance as of December 31, 2021*	248,278	(8,652)	-	17,363	281,037	(75,679)	(149,210)	313,137
Treasury shares	-	(5,239)	-	-	3,162	-	-	(2,077)
Long-term incentive plan cost (Note 18)	-	1,025	-	-	(1,025)	-	-	-
Net loss for the year	-	-	-	-	-	(80,224)	-	(80,224)
Other comprehensive income items	-	-	-	-	-	-	3,901	3,901
Total comprehensive (loss) income	-	-	-	-	-	(80,224)	3,901	(76,323)
Balance as of December 31, 2022	US$ 248,278	US$ (12,866)	US$ -	US$ 17,363	US$ 283,174	US$ (155,903)	US$ (145,309)	US$ 234,737

The accompanying notes are an integral part of these consolidated financial statements.
*The comparative Consolidated financial statements have been re-presented from Mexican peso to U.S. dollar to reflect the Company's change in presentation currency.
See note 1 b) for additional information.

Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

	For the years ended December 31,		
	2022	2021*	2020*
Operating activities			
(Loss) income before income tax	US$ (132,363)	US$ 137,026	US$ (253,453)
Non-cash adjustment to reconcile (loss) income before income tax to net cash flows from operating activities:			
Depreciation and amortization (including right-of-use-assets) (Notes 12, 13 and 14)	417,929	326,400	278,515
Allowance for credit losses (Note 8)	1,672	795	636
Finance income (Note 23)	(12,902)	(3,531)	(4,784)
Finance cost	191,809	138,890	118,796
Net foreign exchange (gain) loss differences	(8,669)	80,372	(26,693)
Derivative financial instruments (Notes 3 and 4)	161	688	58,261
Amortized Cost (CEBUR)	566	412	323
Net gain on disposal of rotable spare parts, furniture and equipment and gain on sale of aircraft (Note 22)	(19,548)	(9,546)	(32,568)
Employee benefits (Note 17)	7,210	552	521
Aircraft and engine lease extension benefit and other benefits from service agreements	(517)	(519)	(614)
Management incentive and long-term incentive plans	709	(1,273)	2,288
Cash flows from operating activities before changes in working capital	446,057	670,266	141,228
Changes in operating assets and liabilities:			
Related parties	6,570	3,392	803
Other accounts receivable	49,670	(15,787)	36,905
Recoverable and prepaid taxes	(33,293)	16,918	(1,024)
Inventories	(1,361)	(857)	1,068
Prepaid expenses	(21,489)	645	3,407
Other assets	(12,494)	3,435	2,639
Guarantee deposits	(13,445)	(52,048)	(65,017)
Suppliers	86,627	6,168	41,521
Accrued liabilities	17,201	45,053	(26,118)
Other taxes and fees payable	44,985	12,972	7,668
Unearned transportation revenue	42,487	20,023	101,030
Derivative Financial instruments	-	(1,854)	(59,190)
Other liabilities	40,429	76,687	35,890
Cash generated from operating activities	651,944	785,013	220,810
Interest received	12,902	3,531	4,784
Income taxes paid	(51,244)	(3,188)	(11,845)
Net cash flows provided by operating activities	613,602	785,356	213,749
Investing activities			
Acquisitions of rotable spare parts, furniture and equipment (Note 12)	(347,147)	(186,121)	(157,133)
Acquisitions of intangible assets (Note 13)	(6,790)	(10,063)	(5,804)
Acquisitions of subsidiaries	-	(79)	-
Pre-delivery payments reimbursements	221,253	43,678	79,593
Proceeds from disposals of rotable spare parts, furniture and equipment	1,990	17,940	80,192
Net cash flows used in investing activities	(130,694)	(134,645)	(3,152)
Financing activities			
Net proceeds from public offering (Note 19)	-	-	164,399
Proceeds from exercised stock options (Note 18)	-	2,859	-
Treasury shares purchase	(5,239)	(4,366)	(4,511)
Interest paid	(17,637)	(12,477)	(13,614)
Payments of principal portion of lease liabilities (Note 14)	(449,004)	(458,968)	(284,363)
Payments of financial debt	(196,565)	(76,936)	(99,596)
Proceeds from financial debt	155,357	114,704	108,117
Net cash flows used in financing activities	(513,088)	(435,184)	(129,568)
(Decrease) increase in cash, cash equivalents and restricted cash	(30,180)	215,527	81,029
Net foreign exchange differences on cash balance	911	19,127	1,990
Cash, cash equivalents and restricted cash at beginning of year	741,122	506,468	423,449
Cash, cash equivalents and restricted cash at end of year	US$ 711,853	US$ 741,122	US$ 506,468

The accompanying notes are an integral part of these consolidated financial statements.
*The comparative Consolidated financial statements have been re-presented from Mexican peso to U.S. dollar to reflect the Company's change in presentation currency. See note 1 b) for additional information.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022, 2021 and 2020

(In 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 Infrastructure, Communications and Transportation Ministry (*Secretaría de Infraestructura, 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 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 US$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.

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- years term. Volaris Costa Rica started operations on December 1, 2016.

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.

On June 20, 2019, Concesionaria, issued fifteen million (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 (US$78.5 million, based on an exchange rate of Ps.19.10 to US$1 on June 20, 2019) 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 (US$157.1 million based on an exchange rate of Ps.19.10 to US$1 on June 20, 2019). 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 basis points.

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 (US$72.1 million, based on an exchange rate of Ps.20.80 to US$1 on October 13, 2021), 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) (US$144.2 million, based on an exchange rate of Ps.20.80 to US$1 on October 13, 2021). 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 Key Performance Indicator (KPI), to reduce carbon dioxide emissions from Volaris´ operations, measured as grams of CO_2 emissions per revenue passenger/ kilometer (gCO_2 / 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 CO_2 emissions by 35.42% gCO_2 / RPK by 2030 vs 2015.

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.

The accompanying consolidated financial statements and notes were approved for issuance by the Company's Chief Executive Officer, Enrique J. Beltranena Mejicano, and the Chief Financial Officer, Jaime E. Pous Fernández, on April 18, 2023 and subsequent events were considered through that date. These consolidated financial statements were authorized by the Board of Directors of the Company on April 19, 2023 and will be submitted for authorization to the Annual General Ordinary Shareholder´s Meeting of the Company on April 21, 2023.

a) Relevant events relating to fleet financing

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.

On April 13, 2022, the Company obtained financing for the pre-delivery payments with certain lessors in respect of 18 aircraft (including the four aircraft mentioned below) to be delivered in the years 2023 and 2024.

On June 8, 2022, the Company entered into an agreement with certain financial institutions, which provides financing for pre-delivery payments in connection with our purchase of thirteen aircrafts to be delivered during the years 2023, 2024 and 2025.

On July 27th, 2022, the Company entered into an agreement with CMB Financial Leasing (Ireland) Limited, which provides financing for pre-delivery payments in connection with our purchase of seven A320 family aircraft.

Conflict between Russia and Ukraine

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.

The Company has been taking actions to mitigate this impact over the business, through revenue management and has continued with the efforts towards a reduced fuel consumption. Nonetheless, the ability to transfer any significant fuel cost increases through fare increases is limited by our ultra-low-cost business model and market high price elasticity in the market.

Change in presentation currency

The Company has changed the presentation currency from Mexican peso to the dollar of the United States of America ("U.S. dollar") as of January 1st, 2022. The change in presentation currency was made to more accurately reflect the Company´s financial performance aligned to the economic environment in which it operates. The Company believes that the change in presentation currency provides investors and other stakeholders with greater comparability of financial information with its industry peers. Prior to the change, the financial statements had been reported in Mexican pesos.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. In making this change in presentation currency, the Company followed the requirements set out in IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS21"). (Note 1b))

b) Basis of preparation

Statement of compliance

These consolidated financial statements which comprise the financial statements of the Company and its subsidiaries at December 31, 2022, 2021 and January 1st, 2021 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 Company and its subsidiary Concesionaria was the Mexican peso until December 31, 2021, and since such date changed to U.S. dollar. The presentation currency of the Company's consolidated financial statements is the U.S. dollar. All values in the consolidated financial statements are rounded to the nearest thousand (US$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, except for the effects of changes in functional currency that are affected prospectively. (Note 3b).

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.

Presentation currency and definition of terms

Beginning January 1, 2022, and for all subsequent periods, as permitted by IAS 21 under IFRS and with the authorization of the Board of Directors, considering the previous favorable opinion of its Audit and Corporate Governance Committee, the Company changed its presentation currency from the Mexican peso to the U.S. dollar.

The consolidated financial statements, including comparative amounts and the accompanying notes to the consolidated financial statements, are presented as if the new presentation currency had always been the Company´s presentation currency. The comparative financial statements and their related notes were re-presented for the change in presentation currency by applying the methodology set out in IAS 21, using the closing exchange rates for the consolidated statements of financial position and the average exchange rates of each month within the respective periods for consolidated statements of operations, consolidated statements of comprehensive income and consolidated statements of cash flows. Historic equity transactions were translated at the foreign exchange rate on the date of the transactions and were subsequently carried at historical value. The exchange rates used in translation were as described in note 1 n). In addition, resulting from this change in presentation currency and in compliance with IAS 1, Presentation of Financial Statements ("IAS 1"), the Company includes a third statement of financial position as of January 1, 2021.

The consolidated financial statements and the accompanying notes are presented in U.S. dollars, except when specific reference is made to a different currency. When reference is made to U.S. dollars or "$" it means dollars of the United States. All amounts in the consolidated financial statements and the accompanying notes are stated in thousands, except when references are made to earnings or loss per share and/or prices per share. When reference is made to "Ps" or "pesos", it means Mexican pesos. When it is deemed relevant, certain amounts in foreign currency presented in the notes to the consolidated financial statements include between parentheses a convenience translation into dollars and/or into pesos, as applicable.

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 U.S. dollars. As a result, the Company evaluated the functional currency of its main subsidiary in accordance with the provisions contained in IAS-21 "Effects of Variations in Foreign Currency Exchange Rates", concluding that the functional currency changed from the Mexican peso to the U.S dollar as of December 31, 2021.

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

Derived from the foregoing, once the authorization of the Board of Directors and considering the previous favorable opinion of the Audit and Corporate Governance Committee, as of December 31, 2021 the Company changed prospectively its functional currency from the Mexican peso to the U.S dollar (Note 3b).

c) Basis of consolidation

The accompanying consolidated financial statements comprise the financial statements of the Company and its subsidiaries. As of December 31, 2022, 2021 and January 1st 2021 for accounting purposes the companies included in the consolidated financial statements are as follows:

			% Equity interest		
Name	Principal Activities	Country	2022	2021	January 1st 2021
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%	100%
Vuela Aviación, S.A.	Air transportation services for passengers, cargo and mail in Costa Rica and abroad	Costa Rica	100%	100%	100%
Vuela, S.A. ("Vuela") *	Air transportation services for passengers, cargo and mail in Guatemala and abroad	Guatemala	100%	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%	100%
Comercializadora Volaris, S.A. de C.V. ("Comercializadora")	Merchandising of services	Mexico	100%	100%	100%
Servicios Earhart, S.A.*	Rendering specialized services to its affiliates	Guatemala	100%	100%	100%
Servicios Corporativos Volaris, S.A. de C.V. ("Servicios Corporativos")	Rendering specialized services to its affiliates	Mexico	100%	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%	100%
Viajes Vuela, S.A. de C.V. ("Viajes Vuela")	Travel agency	Mexico	100%	100%	100%
Guatemala Dispatch Service, S.A., ("GDS, S.A.") (4)	Aeronautical Technical Services	Guatemala	100%	100%	-
CIBanco, S.A., Institución de Banca Múltiple, Fidecomiso 1710 (1)	Pre-delivery payments financing (Note 5)	Mexico	100%	100%	100%
CIBanco, S.A., Institución de Banca Múltiple, Fidecomiso 1711 (2)	Pre-delivery payments financing (Note 5)	Mexico	100%	100%	100%
Fideicomiso Irrevocable de Administración número F/307750 "Administrative Trust" **	Share administration trust (Note 18)	Mexico	100%	100%	100%
Fideicomiso Irrevocable de Administración número F/745291 "Administrative Trust"	Share administration trust (Note 18)	Mexico	100%	100%	100%
Fideicomiso de Administración número CIB/3081 "Administrative Trust"	Share administration trust (Note 18)	Mexico	100%	100%	100%
Fideicomiso Irrevocable de Administración número CIB/3249 "Administrative Trust"	Asset backed securities trustor & administrator (Note 5)	Mexico	100%	100%	100%
CIBanco, S.A., Institución de Banca Múltiple, Fideicomiso CIB/3853 (5)	Pre-delivery payments financing (Note 5)	Mexico	100%	-	-
CIBanco, S.A., Institución de Banca Múltiple, Fideicomiso CIB/3855 (6)	Pre-delivery payments financing (Note 5)	Mexico	100%	-	-
CIBanco, S.A., Institución de Banca Múltiple, Fideicomiso CIB/3866 (6)	Pre-delivery payments financing (Note 5)	Mexico	100%	-	-
CIBanco, S.A., Institución de Banca Múltiple, Fideicomiso CIB/3867 (7)	Pre-delivery payments financing (Note 5)	Mexico	100%	-	-
CIBanco, S. A, Institución de Banca Múltiple, Fideicomiso CIB/3921 (8)	Pre-delivery payments financing (Note 5)	Mexico	100%	-	-

*The Company has not started operations.
**The Trust was terminated on August 9, 2022.

(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) 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 on October 5, 2021.
(5) With effect from June 8, 2022 the trust was constituted.
(6) With effect from April 1st, 2022 the trusts were constituted.
(7) With effect from April 13, 2022 the trust was constituted.
(8) With effect from July 21, 2022 the trust was constituted.

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, and
(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 U.S. dollar at the exchange rates 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.

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.

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 trip insurance, rental cars, and advertising spaces to third parties. They as well as cargo services, 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

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 to the customer.

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 COVID-19 voucher is redeemed, and the associated 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 do not 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 fair value through profit and losses ("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 other comprehensive income ("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 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. During the years ended December 31, 2022, 2021 and 2020 the Company recorded expected credit losses on accounts receivable of US$1,672, US$795 and US$636, 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 receivable 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 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, 2022, 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) Assets held for sale

Assets held for sale, formerly non-current assets or groups of assets that are expected to be sold within the next twelve months are measured at the lower of their carrying amount at the time they are reclassified, and fair value less sell costs. Fair value less sell costs is derived from recent market transactions, if available.

On December 22, 2022, Concesionaria signed an aircraft sale and purchase agreement with SETNA IO LLC., by a total amount of US$901. As of December 31, 2022 the carrying amount of the remaining owned aircraft is US$795.

k) 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.

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, the deposit 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, 2022, 2021 and 2020, the Company recognized supplemental lease payments of US$48,172, US$38,227 and US$20,063, respectively.

When modifications are made to the lease agreements that entail an extension of the lease term, the maintenance deposits which had been recorded previously as variable lease payments can be converted into recoverable deposits and presented as recoverable assets, at the modification date.

During the years ended December 31, 2022 and 2021, the Company added eighteen and fifteen net new aircrafts to its fleet, respectively (Note 14). During the year ended December 31, 2022, the Company extended the lease period of five aircrafts and two engines. During the year ended December 31, 2021, the Company extended the lease period of 15 aircrafts and three engines. 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).

l) 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 (utilization).

Fleet maintenance requirements may include preventive maintenance tasks and specific manufacturers recommendations, for example, component checks, monthly checks, airframe and systems checks, periodic major maintenance and engine checks.

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

(i) Routine line 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 normally performed by Company mechanics and are primarily completed at the main airports that the Company currently serves, supported by sub-contracted companies.

Other maintenance activities are sub-contracted to qualified maintenance business partners, repair and overhaul organizations. Routine maintenance also includes scheduled tasks that can typically take from 6 to 12 days to accomplish and are required between every 24 or 36 months, such as 24-month checks and C checks. All routine maintenance costs are expensed as incurred.

(ii) Major maintenance for the aircraft consists of a series of more complex tasks, including structural checks for the airframe, that can take up to six weeks to accomplish and typically are required every six years.

Major maintenance is accounted for under the deferral method, whereby the cost of major maintenance, 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, 2022 and 2021, the Company capitalized major maintenance events as part of leasehold improvements to flight equipment for an amount of US$138,811 and US$85,940, respectively. For the years ended December 31, 2022, 2021 and 2020, the amortization of major maintenance leasehold improvement costs was US$83,071, US$40,744 and US$30,555 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 components for the Company's fleet when they are required. It also provides aircraft components that are included in the redelivery conditions of the contract (hard time) with a fixed priced 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 for the engines shop visits, provides miscellaneous engines coverage, supports the cost of foreign objects damage events, ensures there is protection from annual escalations, and grants credit for certain scrapped components. The cost associated with the miscellaneous engines' coverage is recorded monthly as incurred in the consolidated statements of operations.

m) 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 of spare engine parts (major components) (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 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.

n) Foreign currency transactions and exchange differences

The Company's consolidated financial statements are presented in U.S. dollars, which is the presentation and functional currency of the parent company and its subsidiaries. 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.

The Company's consolidated financial statements are presented in U.S. dollars. 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 each month during the year at the monthly 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, 2022 and 2021, were US$3,471 and US$(10,489), respectively.

For the years ended December 31, 2022, 2021 and 2020, the most relevant exchange rates utilized in the conversions to US$ dollar, are as follows:

Currency	2022				2021				2020			
	End of period exchange rate		Average exchange rate		End of period exchange rate		Average exchange rate		End of period exchange rate		Average exchange rate	
Mexican Peso	Ps.	19.3615	Ps.	20.1254	Ps.	20.5835	Ps.	20.2818	Ps.	19.9487	Ps.	21.4961
Colon	¢.	594.9700	¢.	649.5908	¢.	645.9000	¢.	624.3460	¢.	615.7800	¢.	588.4240
Quetzal	Q.	7.8515	Q.	7.7765	Q.	7.7285	Q.	7.7589	Q.	7.8095	Q.	7.7292
Colombian Peso	COP.	4,810.20	COP.	4,255.44	COP.	3,981.16	COP.	3,751.33	COP.	3,428.26	COP.	3,695.48

o) 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.

p) 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, 2022 and 2021, 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, 2022. 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, 2022, 2021 and 2020 the Company expensed US$2,992, US$3,701 and US$1,266, 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 "Share based payment".

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.

During 2022, 2021 and 2020, 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).

- 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). The retention plan granted in previous periods expired in November 2020. During the year ended December 31, 2020, the Company recorded a (benefit) for US$(95), 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. Similar to 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).

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 "Share based payment".

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%. The Mexican Federal Labor Law ("MFLL") establishes a limit for employee profit sharing payment, up to three months of the employee´s current salary or the average employee profit sharing received by the employee in the previous three years. For the years ended December 31, 2022, 2021 and 2020, the employee profit sharing is US$136, US$12,951 and US$968 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.

q) 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 the right-of-use assets representing the right to use the underlying assets.

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

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, 2022, 2021 and 2020, there were no impairment charges recorded in respect of the right-of-use assets.

iii. Sale and leaseback

The Company enters into a 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 Consolidated 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 and 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.

r) 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).

s) 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.

t) 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, 2022 and 2021 the Interpretation did not have an impact on the consolidated financial statements of the Company.

u) 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 years ended December 31, 2022 and 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 US$19.1 million, 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.

v) 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).

w) 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).

x) 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).

y) 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.

z) 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, 2022. 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, 2022, this amendment did not have impact on the consolidated financial statements of the Company (Note 14).

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. As of December 31, 2022, this amendment did not have impact on the consolidated financial statements of the Company (Note 1f) iii) and Note 5).

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. As of December 31, 2022, this amendment did not have impact on the consolidated financial statements of the Company (Note 12).

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. As of December 31, 2022 this amendment did not have impact on the consolidated financial statements of the Company.

Standards issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company is currently assessing the impact of this standard which expects to adopt in their effective date.

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.

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).

2. Significant accounting judgments, estimates and assumptions

The preparation of these consolidated 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. 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 (Note 1).

Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Revisions to estimates are recognized prospectively. 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 (Notes: 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).

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

At each reporting date, the Company assesses whether there are indicators of impairment of its long-lived assets and right of use assets. 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 years ended December 31, 2022 and 2021, the Company has reviewed through an analysis if there were signs of impairment in its long- lived assets and right- of use assets and according to the result it was concluded there were no signs of impairment.

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, 2022, 2021 and 2020 represented 46%, 34% and 26% (includes derivative and non-derivative financial instruments for 2021 and 2020) of the Company's operating expenses, respectively. The foreign currency risk is disclosed within subsection b) in this note.

During the years ended December 31, 2022 and 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 and 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 and 2Q21.

During the year ended December 31, 2020 the Company recognized an unwind of the Zero cost collar of US$1,984 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, 2022, and 2021.

During the year ended December 31, 2021, the intrinsic value of the Asian call options recycled to the fuel cost was an expense of US$619. During the year ended December 31, 2020, the intrinsic value of the Asian call options recycled to the fuel cost was an expense of US$1,488 (US$931 which was recognized in the fuel cost and an expense of US$557 in finance cost).

During the years ended December 31, 2022 and 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 US$56,695 (US$38,122 which was recognized in the fuel cost and an expense of US$18,573 in finance cost).

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 through 2Q21.

As of December 31,2022, and 2021, the Company didn´t hold any outstanding fuel position.

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 2022, 2021 and 2020 would have impacted the Company's operating costs in US$3,399, US$2,731 and US$1,762, respectively.

	As of December 31,		
	2022	2021	2020
	Operating costs	Operating costs	Operating costs
		(In thousands of U.S. dollars)	
+ US$0.01 per gallon	3,399	2,731	1,762
- US$0.01 per gallon	(3,399)	(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 periods information (Note 1n).

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. Most of the operating Company´s 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 summary of quantitative data about the Company's exposure to currency risk as of December 31, 2022 is as set forth below:

	Mexican Pesos		Others*	
	(In thousands of U.S. dollars)			
Assets:				
Cash, cash equivalents and restricted cash	US$	39,962	US$	6,129
Other accounts receivable, net		66,254		12,595
Guarantee deposits		23,981		252
Other assets		-		-
Derivative financial instruments		1,585		-
Total assets	US$	131,782	US$	18,976
Liabilities:				
Financial debt	US$	133,837	US$	-
Lease liabilities		17,003		103
Suppliers		124,374		1,496
Other liabilities		81,378		1,277
Total liabilities	US$	356,592	US$	2,876
Net foreign currency position	US$	(224,810)	US$	16,100

*The foreign exchange exposure includes: Quetzales, Colombian pesos and Colones.

The summary of quantitative data about the Company's exposure to currency risk as of December 31, 2021 is as set forth below:

		Mexican Pesos		Others*
		(In thousands of U.S. dollars)		
Assets:				
Cash, cash equivalents and restricted cash	US$	39,728	US$	6,102
Other accounts receivable, net		9,412		495
Guarantee deposits		-		329
Total assets	US$	49,140		6,926
Liabilities:				
Financial debt	US$	132,367	US$	-
Lease liabilities		-		77
Suppliers		159,842		6,202
Other taxes and fees payable		111,766		16,378
Total liabilities	US$	403,975	US$	22,657
Net foreign currency position	US$	(354,835)	US$	(15,731)

*The foreign exchange exposure includes: Quetzales, Colombian pesos and Colones.

At April 18, 2023, the exchange rate was 1 US$ per 18.0638 MXP.

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, 2022, 2021 and January 1, 2021, the Company did not enter into foreign exchange rate derivatives financial instruments.

Foreign currency sensitivity

The following table demonstrates the sensitivity of a reasonably possible change in Mexican peso exchange. The rate to U.S dollar that would have occurred as of December 31, 2022, 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	
		(In thousands of U.S. dollars)	
2022	+5%	US$	(10,436)
	-5%		10,436

On December 31, 2021, the Company and its main subsidiary Concesionaria changed its functional currency from the Mexican peso to the U.S dollar. The following table demonstrates the sensitivity of a possible change in Mexican peso exchange rate to U.S 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 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	
		(In thousands of U.S. dollars)	
2021	+5%	US$	(18,528)
	-5%		18,528

The following tables demonstrate the sensitivity to a reasonably possible change in US$ 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	
		(In thousands of U.S. dollars)	
2021	+5%	US$	(80,919)
	-5%		80,919

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 US$ as hedging instruments.

In the first FX hedging strategy, the Company designated a hedge to mitigate the variability in FX fluctuation denominated in US$ associated to forecasted revenues by using a portion of US$ denominated financial liabilities associated to a portfolio of leasing liabilities up until the terms of the remaining leasing arrangements.

As of December 31, 2022 and 2021, there was not outstanding US$ balance designated under this hedging strategy due to the discontinuation of the hedge relationships. The outstanding US$ balance designated under this hedging strategy as of December 31, 2020 amounted to US$1.5 billion, represented by recognized leasing liabilities, which have been designated as hedging instruments tagged to US$ denominated forecasted revenues over the remaining lease term.

Additionally, during the years ended December 31, 2021 and 2020, the impact of these hedges was US$21,378 and US$19,408, 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 US$ denominated non-derivative financial assets as hedging instruments, to mitigate the FX variability (MXN/US$) contractually included as a component in the purchase of a portion of future Jet Fuel consumption. For this strategy designated in 2019, a portion of the Jet Fuel consumption over the two following years was designated as hedged item; while the hedging instrument was represented by US$ denominated recognized assets, including guaranteed deposits and cash and cash equivalents equivalent to US$410 million, which represent a portion of the financial assets denominated in US$.

During the first quarter of 2021, the designated hedging instrument back in 2019 for US$410 million expired consistent with the same foreign exchange strategy, the Company decided to designate a new hedging relationship, like the one concluded. For this new strategy a portion of the Jet Fuel consumption over the two following years was designated as hedged item; while the hedging instrument was represented by US$ denominated recognized assets, including guaranteed deposits and cash and cash equivalents equivalent to US$350 million, which represent a portion of the financial assets denominated in US$.

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 US$109 million was reclassified to the income statement, which represented a loss within the foreign exchange (loss) gain, net caption.

As of December 31, 2022 and 2021, there was not outstanding US$ balance designated under this hedging strategy due to the discontinuation of the hedge relationships. The outstanding US$ balance designated under this hedging strategy as of December 31, 2020 amount to US$60.5 million, which does represent a portion of the recognized financial assets.

During the years ended December 31, 2021 and 2020, the impact of these hedges was US$8,945 and US$18,590, respectively, presented as part of the total fuel expense.

Since the hedged items 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 followed the Cash Flow Hedge Accounting Model.

In accordance with IFRS 9, the effective portion related to changes in the fair value of the hedging instruments, was taken to the hedge reserve within the OCI, and was presented under a separate caption within the Company's Stakeholders Equity. The amounts recorded in OCI were recycled to the consolidated statement of operations on a timely basis as the corresponding US$ denominated income and/or Jet Fuel consumption, affecting the Company's operating margins, the recycled amounts are presented as adjustments to operating income and expenses related to each FX hedging strategy.

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") and the Secured Overnight Financing Rate ("SOFR").

For the replacement of the rate US$ LIBOR by the Secured Overnight Financing Rate ("SOFR") the company is taking the necessary measures to adopt the new benchmark rates. Although rate US$ 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 rate US$ LIBORs after June 2023. In early 2022 as announced by the FCA, the panel bank submissions for rate US$ LIBOR will cease in mid-2023. As of December 31, 2022, all financial facilities in US$ are referenced to SOFR. The financial facilities contracted during 2022 were referenced to SOFR. (Note 5 b)).

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.

During July 2019 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.

The following table shows the sensitivity analysis of the change that would have occurred in the fair value of the interest hedging instrument on the CEBUR (VOLARCB19) in 2022 and 2021 as a result of a reasonably possible change in rates, keeping all other variables constant is as set forth below:

	Change in interest rate	Effect on cap*	
		(In thousands of U.S. dollars)	
2022	+0.50%	US$	(121)
	-0.50%		121
2021	+0.01%	US$	(2)
	-0.01%		2

*The effect would affect OCI in relation to the interest rate caps.

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 following table shows the sensitivity analysis of the change that would have occurred in the fair value of the interest hedging instrument on the CEBUR (VOLARCB21L) in 2022 and 2021 as a result of a reasonably possible change in rates, keeping all other variables constant is as set forth below:

	Change in interest rate	Effect on cap*	
		(In thousands of U.S. dollars)	
2022	+0.50%	US$	(590)
	-0.50%		590
2021	+0.01%	US$	(8)
	-0.01%		8

*The effect would affect OCI in relation to the interest rate caps.

As of December 31, 2022 and 2021, the Company's outstanding hedging contracts in the form of interest rate caps with notional amount of Ps.2.25 billion (US$116.2 million based on an exchange rate of Ps.19.36 to US$1 on December 31, 2022) and Ps.2.75 billion (US$133.6 million based on an exchange rate of Ps.20.58 to US$1 on December 31, 2021), respectively, had fair values of US$1,585 and US$1,398, respectively, and are presented as part of the financial assets in the consolidated statement of financial position. As of December 31, 2022 and 2021 the effect allocated in OCI in relation to the interest rate caps amounts to US$109 and US$365, respectively.

For the years ended December 31, 2022, 2021 and 2020 the amortization of the intrinsic value of the cap was US$161, US$69 and US$78 respectively, recycled to the statement of operations as part of the finance cost. During 2022 and 2021 there was no ineffective portion resulting from these hedging instruments.

Debt Sensitivity Analysis

The following sensitivity analysis considers the position exposed to variable interest rates.

The Interbank Equilibrium Interest Rate of the Banco de Mexico (TIIE) 28 days increased 505 bp in 2022, going from 5.72% to 10.77%. The Secured Overnight Financing Rate (SOFR) three months increased 450 bp in 2022 going from 0.09% to 4.59% SOFR one month increased 430 bp in 2022, going from 0.05% to 4.36%. In addition to the reference rate 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:

	Year ended December 31, 2022		Year ended December 31, 2021	
	+100 BP	- 100 BP	+ 100 BP	- 100 BP
	(In thousands of U.S. dollars)			
Banco Nacional de Comercio Exterior, S.N.C. ("Bancomext")	961	(961)	1,751	(1,751)
Asset backed trust notes ("CEBUR") [1]	1,320	(1,320)	867	(867)
Banco Sabadell S.A., Institución de Banca Múltiple ("Sabadell")	49	(49)	91	(91)
Banco Santander México, S.A. y Banco Nacional de Comercio Exterior, S.N.C. ("Santander-Bancomext 2022")	96	(96)	-	-
JSA International U.S. Holdings, LLC (PDP JSA)	88	(88)	-	-
GY Aviation Lease 1714 Co. Limited (PDP CDB)	38	(38)	-	-
Incline II B Shannon 18 Limited (PDP BBAM)	224	(224)	-	-
Oriental Leasing 6 Company Limited (PDP CMB)	19	(19)	-	-
Banco Actinver S.A., Institución de banca múltiple ("Actinver")	6	(6)	-	-
Total	2,801	(2,801)	2,709	(2,709)

[1] Every Trust Note (CEBUR) issuance has a 10% CAP on TIIE 28 to limit interest payments to increasing rates.

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 exposure outside consolidated statements of financial position 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.

The company has debts related to the Pre-delivery payments, which are settled with the reimbursement of the Pre-delivery payments when the sale and leaseback transaction is carried out (Note 25).

As of December 31, 2022, our cash, cash equivalents and restricted cash were US$711,853.

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

	December 31, 2022					
	Within one year		One to five years		Total	
Interest-bearing borrowings:						
Pre-delivery payments facilities (Note 5)	US$	62,209	US$	75,698	US$	137,907
Asset backed trust note ("CEBUR") (Note 5)		30,128		86,082		116,210
Working Capital Facilities (Note 5)		18,077		-		18,077
Lease liabilities:						
Aircraft, engines, land and buildings leases		335,620		2,373,103		2,708,723
Aircraft and engine lease return obligation		5,012		244,454		249,466
Total	US$	451,046	US$	2,779,337	US$	3,230,383

	December 31, 2021					
	Within one year		One to five years		Total	
Interest-bearing borrowings:						
Pre-delivery payments facilities (Note 5)	US$	171,771	US$	-	US$	171,771
Asset backed trust note ("CEBUR") (Note 5)		24,291		109,311		133,602
Lease liabilities:						
Aircraft, engines, land and buildings leases		283,843		2,128,294		2,412,137
Aircraft and engine lease return obligation		21,949		166,930		188,879
Total	US$	501,854	US$	2,404,535	US$	2,906,389

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 financial institutions.

Credit risk on accounts receivable relates primarily to amounts receivable from the 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 evaluated by management as 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 non-performance 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.

As of December 31, 2022, 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 investment grade 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, 2022 and 2021. 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 5b).

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.

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

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, 2022		December 31, 2021		December 31, 2022		December 31, 2021	
Assets								
Derivative financial Instruments	US$	1,585	US$	1,398	US$	1,585	US$	1,398
Liabilities								
Financial debt (Interest-bearing loans and borrowings)		(272,194)		(305,373)		(282,868)		(302,876)
Derivative financial Instruments		-		-		-		-
Total	US$	(270,609)	US$	(303,975)	US$	(281,283)	US$	(301,478)

The following table summarizes the fair value measurements by hierarchy as of December 31, 2022:

	Fair value measurement							
	Quoted prices in active markets		Significant observable inputs		Significant unobservable inputs			
	Level 1		Level 2		Level 3		Total	
Assets								
Derivatives financial instruments:								
Interest rate Caps	US$	-	US$	1,585	US$	-	US$	1,585
Liabilities								
Liabilities for which fair values are disclosed:								
Interest-bearing loans and borrowings**		-	US$	(282,868)	US$	-	US$	(282,868)
Net	US$	-	US$	(281,283)	US$	-	US$	(281,283)

** 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.

The following table summarizes the fair value measurements by hierarchy as of December 31, 2021:

	Fair value measurement							
	Quoted prices in active markets		Significant observable inputs		Significant unobservable inputs			
	Level 1		Level 2		Level 3		Total	
Assets								
Derivatives financial instruments:								
Interest rate Caps	US$	-	US$	1,398	US$	-	US$	1,398
Liabilities								
Liabilities for which fair values are disclosed:								
Interest-bearing loans and borrowings**		-	US$	(302,876)	US$	-	US$	(302,876)
Net	US$	-	US$	(301,478)	US$	-	US$	(301,478)

** 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 U.S. dollars, except when indicated otherwise)

The following table summarizes the losses from derivatives financial instruments recognized in the consolidated statements of operations for the years ended December 31, 2022, 2021 and 2020:

Instrument	Financial statements caption	2022		2021		2020	
Jet fuel Asian call options contracts	Fuel	US$	-	US$	(619)	US$	(931)
Jet fuel Zero-Cost collars contracts	Fuel		-		-		(38,122)
Jet fuel Asian call options contracts	Finance cost		-		-		(557)
Jet fuel Zero-Cost collars contracts	Finance cost		-		-		(18,573)
Interest rate cap	Finance cost		(161)		(69)		(78)
Total		US$	(161)	US$	(688)	US$	(58,261)

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, 2022, 2021 and 2020:

Consolidated statements of other comprehensive income (loss)

Instrument	Financial statements caption	2022		2021		2020	
Jet fuel Asian call options contracts	OCI	US$	-	US$	601	US$	(601)
Jet fuel Zero cost collars	OCI		-		484		(7,572)
Interest rate cap	OCI		336		(128)		(34)
Non derivative financial instruments*	OCI		-		79,076		(79,824)
Total		US$	336	US$	80,033	US$	(88,031)

*As of December 31, 2021, includes the effect of the discontinuation of the hedging strategies by US$109 million as described in note 3b (i).

5. Financial assets and liabilities

As of December 31, 2022 and 2021, the Company's financial assets measured at amortized cost are represented by cash, cash equivalents and restricted cash, trade and other accounts receivable, for which their carrying amount is a reasonable approximation of fair value.

a) Financial assets

	December 31, 2022		December 31, 2021	
Derivative financial instruments designated as cash flow hedges (effective portion recognized within OCI)				
Interest rate cap	US$	1,585	US$	1,398
Total derivative financial assets	US$	1,585	US$	1,398
Presented on the consolidated statements of financial position as follows:				
Current	US$	-	US$	-
Non-current	US$	1,585	US$	1,398

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

b) Financial debt

(i) As of December 31, 2022 and 2021, the Company's short-term and long-term debt consists of the following:

		December 31, 2022	December 31, 2021
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 LIBOR plus a spread of 260 basis points.	US$ -	US$ 171,771
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 plus 175 basis points.	38,737	60,728
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 plus 200 basis points.	77,473	72,874
IV.	In December 2019, the Company entered into a short-term working capital facility with Banco Sabadell S. A., Institucion de Banca Multiple ("Sabadell") in Mexican pesos, bearing annual interest rate at TIIE 28 days plus a spread of 300 basis points. In December 2021, the Company renewed this working capital facility, bearing annual interest rate at TIIE 28 days plus a 240 basis points.	10,330	-
V.	Revolving credit line 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 June 8, 2027, bearing annual interest rate at the three-month SOFR plus a spread of 298 basis points.	38,635	-
VI.	Pre-delivery payments financing with JSA International U.S. Holdings, LLC, with maturity on November 30, 2025, bearing annual interest SOFR plus a spread of 300 basis points.	27,962	-
VII.	Pre-delivery payments financing with GY Aviation Lease 1714 Co. Limited, with maturity on November 30, 2025, bearing annual interest SOFR plus a spread of 425 basis points.	15,880	-
VIII.	Pre-delivery payments financing with Incline II B Shannon 18 Limited, with maturity on May 31, 2025, bearing annual interest SOFR plus a spread of 390 basis points.	48,048	-
IX.	Pre-delivery payments financing with Oriental Leasing 6 Company Limited, with maturity on May 31, 2026, bearing annual interest of SOFR plus a spread of 200 basis points.	7,382	-
X.	The company acquired a short-term working capital facility with Banco Actinver S.A, Institución de banca multiple ("Actinver") with national currency, bearing annual interest rate at TIIE plus 250 basis points.	7,747	-
XI.	Transaction costs to be amortized	(1,034)	(1,526)
XII.	Accrued interest and other financial cost	1,875	1,090
		273,035	304,937
	Less: Short-term maturities	112,148	196,898
	Long-term Financial debt	US$ 160,887	US$ 108,039

TIIE: Mexican interbank rate
LIBOR: London Inter Bank Offered Rate
SOFR: Secured Overnight Financing Rate

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

(ii) The following table provides a summary of the Company's scheduled remaining principal payments of financial debt and projected interest on December 31, 2022:

	Within one year		January 2024 - December 2024		January 2025 - December 2025		January 2026 - onwards		Total	
Santander/Bancomext [1]	US$	12,364	US$	18,030	US$	8,655	US$	-	US$	39,049
Banco Sabadell S.A.		10,421		-		-		-		10,421
CEBUR program [2]		30,577		38,738		25,824		21,520		116,659
JSA International U.S. Holdings, LLCA		25,272		3,159		-		-		28,431
GY Aviation Lease 1714 Co. Limited		-		15,880		-		-		15,880
Incline II B Shannon 18 Limited		25,788		22,592		-		-		48,380
Oriental Leasing 6 Company Limited		76		-		7,382		-		7,458
Actinver		7,791		-		-		-		7,791
Financial debt		112,289		98,399		41,861		21,520		274,069
Projected interest		22,242		9,428		4,312		1,033		37,015
Total	US$	134,531	US$	107,827	US$	46,173	US$	22,553	US$	311,084

[1] Revolving line of credit with Banco Santander S.A. and Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo contracted on June 8, 2022.

[2] Every Trust Note (CEBUR) issuance has a 10% CAP on TIIE 28 to limit interest payments to increasing rates.

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 2018" 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.

As of December 31, 2022 the Company paid the dispositions made during the year, therefore, it does not have a balance pending settlement. As of December 31, 2021 the Company was in compliance with the covenants under the above-mentioned loan agreement.

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)).

On June 8, 2022 the Company entered into a new pre-delivery payment financing with Santander/Bancomext for the acquisition of its aircraft through a revolving facility.

The "Santander/Bancomext 2022" 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 distributions on the Company's share capital, except for distributions that do not exceed fifteen percent (15%) of the profit before taxes.

As of December 31, 2022, the Company was in compliance with the covenants under the above-mentioned loan agreement.

As of December 31, 2022, the outstanding balance of the financial debt related to finance pre-delivery payments of aircraft amounts to US$137,907, the company covers this obligation through 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, 2022, the Company has signed credit lines totaling US$859,098 of which US$701,220 were related to financial debt (US$390,289 were undrawn) and US$157,878 were related to letters of credit (US$16,129 were undrawn). As of December 31, 2021, the Company had signed credit lines totaling US$483,379 of which US$338,501 were related to financial debt (US$9,717 were undrawn) and US$144,878 were related to letters of credit (US$23,159 were undrawn).

For purposes of financing the pre-delivery payments, a Mexican trust was 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 trust, and the Company guaranteed the obligations of the Mexican trusts under the financing agreement (CIBanco, S.A. Institución de Banca Múltiple, Fidecomiso) Trust 3853.

The Company signed in May of 2022 three new pre-delivery payments financing with lessors for the acquisition of its aircraft. For this purpose, a Mexican trust was created for each contract with (CIBanco, S.A. Institución de Banca Múltiple), for JSA International U.S. Holdings, LLC signed the Trust 3866, for GY Aviation Lease 1714 Co. Limited signed the Trust 3855, and for Incline II B Shannon 18 Limited signed the Trust 3867. These facilities do not include covenants or restrictions.

The Company signed a new pre-delivery payment financing with lessors for the acquisition of seven aircraft distributed between Oriental Leasing 6 Company Limited, Oriental Leasing 26 Company Limited and Oriental Leasing 36 Company Limited. For this purpose, the Mexican Trust 3921 was created with CI Banco, S.A. Institución de Banca Múltiple. This facility does not include covenants or restrictions.

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 (US$ 77.5 million as of December 31, 2022 based on an exchange rate of Ps.19.36 to US$1) 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 (US$155.0 million as of December 31, 2022 based on an exchange rate of Ps.19.36 to US$1).

The notes have a five-year maturity annual reduction of Ps.250,000, Ps.500,000, Ps.500,000 and Ps.250,000 (US$ 12.9 million, US$25.8 million, US$25.8 million and US$12.9 million as of December 31, 2022 based on an exchange rate of Ps.19.36 to US$1), 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 VOLARCB21L for Ps.1.5 billion Mexican pesos (US$ 77.5 million as of December 31,2022 based on an exchange rate of Ps.19.36 to US$1) through the Fideicomiso Irrevocable de Administración número CIB/3249 created by Concesionaria. The issuance amount is part of a program approved by the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) for an amount of up to Ps.3.0 billion Mexican pesos (US$ 155.0 million as of December 31, 2022 based on an exchange rate of Ps.19.36 to US$1). With this second issuance the total amount approved for the program has been reached.

The Trust Notes under the ticket VOLARCB21L 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 (US$ 4.3 million, US$25.8 million, US$,25.8 million and US$21.5 million as of December 31, 2023, 2024, 2025 and 2026, respectively, based on an exchange rate of Ps.19.36 to US$1 as of December 31,2022) 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, no 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 November 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 thousands of U.S. dollars, except when indicated otherwise)

As of December 31, 2022, the Company was in compliance with the conditions of the asset backed trusted notes.

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 December 2021, the Company renewed this working capital facility, bearing annual interest rate at TIIE 28 days plus a 240 basis points. As of December 31, 2022, the Company has completely withdrawn the available amounts of this facility.

The "Sabadell" working capital facility has the following covenant:

i) Joint obligor (Concesionaria) must represent 85% of EBITDA of the holding.

As of December 31, 2022, the Company was not in compliance with the covenant of Sabadell loan agreement. The Company settled this short-term loan on January 5, 2023, as such any potential effects of the non-compliance were solved with the payment. The non-compliance did not trigger any cross-default provisions in other debt instruments or any lease agreement of the Company.

In December 2022, the Company renewed the working capital facility with Banco Actinver S.A., Institución de Banca Múltiple ("Actinver") in Mexican pesos, bearing annual interest rate at TIIE 28 days plus a 250 basis points. As of December 31, 2022, the Company has completely withdrawn the available amounts of the facility.

The "Actinver" working capital facility does not include obligations or restrictions.

At December 31, 2021, the Company was in compliance with the covenants under the terms of the working capital facilities.

Changes in liabilities arising from financing activities

For the years ended December 31, 2022 and 2021 the changes in liabilities from financing activities from the Company are summarized in the following table:

	January 1, 2022		Net cash Flows		Accrued Interest*		Foreign exchange movement		Current vs non - current reclassification		Other		Conversion effects		December 31, 2022	
Current interest-bearing loans and borrowings	US$	196,898	US$	(152,984)	US$	761	US$	739	US$	65,063	US$	124	US$	1,547	US$	112,148
Non-current interest - bearing loans and borrowings		108,039		111,776		-		-		(65,063)		442		5,693		160,887
Total liabilities from financing activities	US$	304,937	US$	(41,208)	US$	761	US$	739	US$	-	US$	566	US$	7,240	US$	273,035

	January 1, 2021		Net cash Flows		Accrued Interest*		Foreign exchange movement		Current vs non - current reclassification		Other		Conversion effects		December 31, 2021	
Current interest-bearing loans and borrowings	US$	78,145	US$	(60,322)	US$	142	US$	3,794	US$	179,355	US$	-	US$	(4,216)	US$	196,898
Non-current interest - bearing loans and borrowings		190,276		99,759		-		1,734		(179,355)		356		(4,731)		108,039
Total liabilities from financing activities	US$	268,421	US$	39,437	US$	142	US$	5,528	US$	-	US$	356	US$	(8,947)	US$	304,937

* This balance is net of interest provisions and interest effectively paid as of December 31, 2022 and 2021, respectively.

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

6. Cash, cash equivalents and restricted cash

As of December 31, 2022 and 2021 this caption is comprised as follow:

		2022		2021
Cash in banks	US$	77,224	US$	463,666
Cash on hand		425		266
Short-term investments		627,331		270,028
Restricted funds held in trust related to debt service reserves		6,873		7,162
Total cash, cash equivalents and restricted cash	US$	711,853	US$	741,122

As of December 31, 2022 and 2021, the Company recorded a portion of advance ticket sales by an amount of US$6,873 and US$7,162, 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, 2022 and 2021 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		2022		2021	Terms
Due from:							
Frontier Airlines Inc. ("Frontier")	Code-share	USA	US$	2,155	US$	4,662	30 days
Due to:							
Grupo Aeroportuario del Centro Norte, S.A.B. de C.V. ("OMA")	Airport Services	Mexico	US$	13,579	US$	9,687	30 days
Chevez, Ruiz, Zamarripa y Cía., S.C.	Professional fees	Mexico		815		455	30 days
A&P International Services, S.A.P.I de C.V. ("AISG")	Aircraft maintenance	Mexico		191		-	30 days
Mijares, Angoitia, Cortés y Fuentes, S.C.	Professional fees	Mexico		22		-	30 days
Frontier Airlines Inc. ("Frontier")	Code-share	USA		2		2	30 days
MRO Commercial, S.A. ("MRO")	Aircraft maintenance and technical support	El Salvador		1		-	30 days
Aeromantenimiento, S.A. ("Aeroman")	Aircraft maintenance and technical support	El Salvador		-		403	30 days
			US$	14,610	US$	10,547	

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

b) During the years ended December 31, 2022, 2021 and 2020, the Company had the following transactions with related parties:

Related party transactions	Country of origin	2022	2021	2020
Revenues:				
Transactions with affiliates				
Frontier Airlines Inc ("Frontier")				
Code-share	USA	US$ 5	US$ 3,547	US$ 7,385
Expenses:				
Transactions with affiliates				
MRO Commercial, S.A.				
Aircraft maintenance *	El Salvador	US$ 11,097	US$ -	US$ -
Grupo Aeroportuario del Centro Norte, S.A.B. de C.V. ("OMA")				
Airport services	Mexico	9,792	6,607	1,486
Aeromantenimiento, S.A.				
Aircraft maintenance	El Salvador	3,690	7,964	11,556
Technical support	El Salvador	170	143	187
Chevez, Ruiz, Zamarripa y Cía, S.C.				
Professional fees	Mexico	923	238	224
A&P International Services, S.A.P.I de C.V. ("AISG")				
Aircraft maintenance	Mexico	914	-	-
Servprot, S.A. de C.V.				
Security services	Mexico	207	175	161
Mijares, Angoitia, Cortés y Fuentes, S.C.				
Professional fees	Mexico	196	214	260
Onelink, S.A. de C.V.				
Call center fee	Mexico/ El Salvador	-	-	3,634

*Includes amounts as part of major maintenance.

c) Frontier Airlines Inc. ("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 latest has investments in both companies. As of December 31, 2022 and 2021, the accounts receivable from Frontier were US$2,155 and US$4,662, respectively. Additionally, as of December 31, 2022 and 2021, the account payable was US$2 and US$2, respectively.

During the years ended December 31, 2022, 2021 and 2020 the Company recognized revenue under this agreement of US$5, US$3,547 and US$7,385, respectively.

Frontier started having transactions with the Company in August 2018. As of December 31, 2022 and 2021, there have not been guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022 and 2021, 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.

d) Servprot S.A. de C.V. ("Servprot")

Servprot is a related party because Enrique Beltranena Mejicano, the Company's Chief Executive Officer and director is shareholder of such company. Servprot provides security services for Mr. Beltranena and his family. As of December 31, 2022 and 2021 there are not outstanding balances due to Servprot under this agreement.

During the years ended December 31, 2022, 2021 and 2020 the Company expensed US$207, US$175 and US$161, respectively for this concept.

e) Aeromantenimiento, S.A. ("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. On January 1, 2017, the Company entered into an aircraft maintenance and repair services agreement with Aeroman, which was extended and amended to be entered into with MRO Commercial, S.A. ("MRO"), an affiliate of Aeroman on January 1 st, 2022. This agreement provides for the exclusive use of Aeroman´s services for the repair and maintenance of aircraft, 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, extended for an additional 5-year period from January 1st, 2022.

As of December 31, 2022 there are not outstanding balance due to Aeroman under this agreement. As of December 31, 2021, the balance due under the agreement to Aeroman were US$403. The Company incurred expenses in aircraft maintenance and technical support with Aeroman amounted to US$3,860, US$8,107 and US$11,743 for the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, the balance due under the agreement with MRO were US$1. During the year ended December 2022, the Company incurred expenses in aircraft with MRO amounted to US$11,097.

f) Onelink, S.A. de C.V. ("Onelink")

Onelink was a related party until December 31, 2017, because Marco Baldocchi, a member of the board, was a director of Onelink. From October 24, 2019 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 provides "Agencia Mercantil" services to the Company. As of December 31, 2022 and 2021, the Company did not recognize any outstanding balances, from Onelink as related party transaction.

During the years ended December 31, 2022 and 2021, the Company did not recognize any revenue and expense transactions as a related party. During the year ended December 31, 2020, the Company recognized an expense under this agreement of US$3,634.

g) Mijares, Angoitia, Cortés y Fuentes, S.C. ("MACF")

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, 2022, the balance due for the services received from MACF were US$22. As of December 31, 2021, the Company did not have outstanding balance due to MACF.

During the years ended December 31, 2022, 2021 and 2020, the Company recognized expenses of legal services with this related party of US$196, US$214 and US$260, respectively.

h) Grupo Aeroportuario del Centro Norte, S.A.B. de C.V. ("OMA")

On April 22, 2020, OMA became a related party because Mr. Ricardo Maldonado Yañez is an independent member of our board of directors and a member of the board of directors of OMA and Mrs. Guadalupe Phillips Margain, our independent member, was a member of the board of directors of OMA until November 2022. As of December 31, 2022 and 2021 the account payable with OMA was US$13,579 and US$9,687, respectively.

During the years ended December 31, 2022, 2021 and 2020, the Company recognized expenses with OMA of US$9,792, US$6,607 and US$1,486, respectively.

i) Chevez, Ruiz, Zamarripa y Cia, S.C. ("Chevez")

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 the Company. As of December 31, 2022 and 2021, the account payable with Chevez was US$815 and US$455, respectively.

During the years ended December 31, 2022, 2021 and 2020, the Company recognized expenses with Chevez of US$923, US$238 and US$224, respectively.

j) A&P International Services, S.A.P.I. de C.V. ("AISG")

On July 4, 2022, AISG became a related party since Harry F. Krensky, a member of our Board of Directors, is the Chairman of the Board of Directors of AISG. Additionally, Harry F. Krensky is managing partner of Discovery Americas, a private equity firm that indirectly holds/manages an investment position in AISG. As of December 31, 2022 the account payable from AISG was US$191.

During the year ended December 31, 2022, the Company recognized expenses with AISG of US$914.

k) Directors and officers

During the year ended December 31, 2022, the chairman and the independent members of the Company's board of directors received a net compensation of US$561 and the rest of the directors received a net compensation of US$177. During the years ended December 31, 2021 and 2020, the chairman and the independent members of the Company's board of directors received a net compensation of US$622 and US$257, respectively, and the rest of the directors received a net compensation of US$179 and US$165, respectively.

During the years ended December 31, 2022, 2021 and 2020, all the Company's senior managers received an aggregate compensation of short and long-term benefits of US$17,630, US$18,829 and US$11,913, respectively: these amounts were recognized in salaries and benefits in the consolidated statement of operations.

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

During the years ended December 31, 2022, 2021 and 2020 the cost of the share-based payments MIP transactions was US$5,074, US$4,410 and US$3,519, respectively. The (benefit) cost of the cash-settled payments transactions MIP II and SARs was US$(4,365), US$(2,984) and US$5,362, respectively (Note 18).

The Company has a short-term benefit plan to certain personnel whereby cash bonuses are awarded for meeting certain Company's performance targets. As of December 31, 2022 and 2021 the Company recorded a provision in the amount of US$7,027 and US$7,602, respectively. In relation with this cash bonuses, during the years ended December 31, 2022, 2021 and 2020 the Company recorded an expense for an amount of US$6,893, US$7,602 and US$0, respectively, under the caption salaries and benefits.

8. Other accounts receivable, net

An analysis of other accounts receivable as of December 31, 2022 and 2021, is detailed below:

	2022		2021	
Current:				
Credit cards	US$	43,942	US$	36,924
Benefits from suppliers		11,491		516
Affinity credit card		9,432		-
Other accounts receivable		4,448		1,636
Cargo clients		4,291		2,516
Travel agencies and insurance commissions		3,731		1,645
Other points of sales		1,968		6,848
Airport services		287		-
Employees		68		760
Marketing services receivable		-		34
		79,658		50,879
Allowance for expected credit losses		(809)		(615)
	US$	78,849	US$	50,264

Accounts receivable have the following aging:

Days	2022 Impaired		2022 Not impaired		Total 2022		2021 Impaired		2021 Not impaired		Total 2021	
0–30	US$	622	US$	68,356	US$	68,978	US$	502	US$	47,432		47,934
31–60		-		1,580		1,580		-		1,332		1,332
61–90		-		4,865		4,865		-		410		410
91-120		187		4,048		4,235		113		1,090		1,203
	US$	809	US$	78,849	US$	79,658	US$	615	US$	50,264	US$	50,879

The movement in the allowance for expected credit losses from January 1, 2021 to December 31, 2022 is as follows:

Balance as of January 1st, 2021	US$	(1,640)
Write-offs		1,783
Increase in allowance		(795)
Foreign currency translation effect		37
Balance as of December 31, 2021		(615)
Write-offs		1,478
Increase in allowance		(1,672)
Balance as of December 31, 2022	US$	(809)

The allowance for expected credit losses on accounts receivables is established in accordance with the information mentioned in Note 1f) ii).

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

9. Inventories

An analysis of inventories as of December 31, 2022 and 2021 is as follows:

	2022		2021	
Spare parts and accessories of flight equipment	US$	15,758	US$	14,397
	US$	15,758	US$	14,397

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. For the years ended December 31, 2022, 2021, and 2020, the Company did not record any impairment loss in the value of its inventories. During the years ended as of December 31, 2022, 2021 and 2020, the amount of consumption of inventories, recorded as an operating expense as part of maintenance expense was US$17,825, US$15,406 and US$10,922, respectively.

10. Prepaid expenses and other current assets

An analysis of prepaid expenses and other current assets at December 31, 2022 and 2021 is as follows:

	2022		2021	
Sales commission to travel agencies (Note 1d)	US$	9,037	US$	9,233
Other prepaid expenses		8,371		10,440
Advances to suppliers		6,446		8,542
Prepaid insurance		5,816		4,150
Flight credits		3,519		6,022
	US$	33,189	US$	38,387

11. Guarantee deposits

An analysis of this caption as of December 31, 2022 and 2021 is as follows:

	2022		2021	
Current asset:				
Credit letters deposits	US$	44,609	US$	54,767
Aircraft maintenance deposits paid to lessors (Note 1k)		16,767		21,127
Deposits for rental of flight equipment		1,583		1,687
Other guarantee deposits		1,398		1,409
		64,357	US$	78,990
Non-current asset:				
Aircraft maintenance deposits paid to lessors (Note 1k)		424,347		404,237
Deposits for rental of flight equipment		56,049		50,007
Other guarantee deposits		3,482		1,128
		483,878		455,372
	US$	548,235	US$	534,362

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

12. Rotable spare parts, furniture and equipment, net

	Gross value		Accumulated depreciation		Net carrying value	
	At December 31, 2022	At December 31, 2021	At December 31,2022	At December 31, 2021	At December 31, 2022	At December 31, 2021
Leasehold improvements to flight equipment	US$ 421,130	US$ 258,878	US$ (215,238)	US$ (131,017)	US$ 205,892	US$ 127,861
Pre-delivery payments*	185,455	253,826	-	-	185,455	253,826
Flight equipment	110,959	106,575	(58,792)	(64,661)	52,167	41,914
Construction and improvements in process	31,900	26,522	-	-	31,900	26,522
Constructions and improvements	7,564	7,457	(6,818)	(6,211)	746	1,246
Office furniture and equipment	2,997	2,933	(1,903)	(1,681)	1,094	1,252
Computer equipment	1,409	1,400	(1,297)	(1,200)	112	200
Workshop machinery and equipment	1,131	1,101	(489)	(400)	642	701
Communications equipment	582	585	(397)	(362)	185	223
Motorized transport equipment platform	565	561	(315)	(163)	250	398
Electric power equipment	530	535	(295)	(246)	235	289
Service carts on board	452	448	(368)	(334)	84	114
Workshop tools	429	421	(420)	(365)	9	56
Total	US$ 765,103	US$ 661,242	US$ (286,332)	US$ (206,640)	US$ 478,771	US$ 454,602

* During the years ended December 31,2022, 2021 and 2020, the Company capitalized borrowing costs of US$7,915, US$7,098 and US$17,872, respectively. The amount of this line is net of disposals of capitalized borrowing costs related to sale and leaseback transactions of US$21,591,US$4,155 and US$18,701, respectively.

(In 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	Communications 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 January 1, 2021	US$ 23,356	US$ 1,354	US$ 392	US$ 1,590	US$ 385	US$ 167	US$ 367	US$ 289	US$ 648	US$ 156	US$ (150)	US$ 246,639	US$ 2,684	US$ 87,117	US$ 364,994
Additions	25,503	-	72	3	96	84	236	-	206	-	-	55,749	26,982	86,563	195,494
Disposals and transfers	(137)	(1)	(3)	(171)	(123)	(14)	(250)	(29)	(43)	-	148	(43,678)	(1,385)	-	(45,686)
Borrowing costs, net*	-	-	-	-	-	-	-	-	-	-	-	2,943	-	-	2,943
Other movements	-	735	26	148	-	-	176	21	6	-	-	-	(1,318)	213	7
Conversion effects	(1,018)	(42)	(10)	(44)	(7)	(3)	(16)	(8)	(21)	(4)	2	(7,827)	(441)	(3,414)	(12,853)
Depreciation	(5,790)	(800)	(277)	(274)	(62)	(178)	(115)	(50)	(95)	(38)	-	-	-	(42,618)	(50,297)
As of December 31, 2021	41,914	1,246	200	1,252	289	56	398	223	701	114	-	253,826	26,522	127,861	454,602
Cost	106,575	7,457	1,400	2,933	535	421	561	585	1,101	448	-	253,826	26,522	258,878	661,242
Accumulated depreciation	(64,661)	(6,211)	(1,200)	(1,681)	(246)	(365)	(163)	(362)	(400)	(334)	-	-	-	(131,017)	(206,640)
Net balance as of December 31, 2021	41,914	1,246	200	1,252	289	56	398	223	701	114	-	253,826	26,522	127,861	454,602
Additions	17,091	-	8	9	4	8	-	-	47	7	-	166,571	33,838	138,811	356,394
Disposals and transfers	(1,656)	-	-	(2)	-	-	-	(1)	-	-	-	(221,253)	(4,838)	-	(227,750)
Borrowing costs, net*	-	-	-	-	-	-	-	-	-	-	-	(13,676)	-	-	(13,676)
Other movements	-	107	(1)	67	(7)	-	7	1	4	-	-	(13)	(23,622)	23,448	(9)
Depreciation	(5,182)	(607)	(95)	(232)	(51)	(55)	(155)	(38)	(110)	(37)	-	-	-	(84,228)	(90,790)
As of December 31, 2022	52,167	746	112	1,094	235	9	250	185	642	84	-	185,455	31,900	205,892	478,771
Cost	110,959	7,564	1,409	2,997	530	429	565	582	1,131	452	-	185,455	31,900	421,130	765,103
Accumulated depreciation	(58,792)	(6,818)	(1,297)	(1,903)	(295)	(420)	(315)	(397)	(489)	(368)	-	-	-	(215,238)	(286,332)
Net balance as of December 31, 2022	US$ 52,167	US$ 746	US$ 112	US$ 1,094	US$ 235	US$ 9	US$ 250	US$ 185	US$ 642	US$ 84	US$ -	185,455	US$ 31,900	US$ 205,892	US$ 478,771

a) During 2022 and 2021 the Company acquired two and two NEO spare engines, respectively (based on the terms of the Pratt & Whitney purchase agreement FMP), which were accounted for at cost for at total amount of US$20,120 and US$19,082, respectively. The Company 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, 2022 and 2021, the Company capitalized borrowing costs which amounted to US$7,915 and US$7,098, respectively (Note 23). The Company capitalizes the actual borrowing costs of the borrowings directly attributable to the acquisitions. For the years ended December 31, 2022 and 2021, the weighted rate of the direct borrowings used to determine the amount of borrowing costs was 5.34% and 2.76%, respectively.

c) Depreciation expense for the years ended December 31, 2022, 2021 and 2020, was US$90,790, US$50,297 and US$37,383, 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 order included 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 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 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.

In 2022, the Company amended the agreement with Airbus for the purchase of 25 A320 family aircraft to be delivered in 2030. The 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.

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, 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 US$3.1 million, which are being amortized on a straight-line basis, prospectively during the term of the agreement. As of December 31, 2022, 2021 and 2020, the Company amortized a corresponding benefit from these credit notes of US$225, US$241 and US$228, respectively, which is recognized as an offset to maintenance expenses in the consolidated statements of operations.

During the years ended December 31, 2022 and 2021, the amounts paid for aircraft and spare engine pre-delivery payments were of US$166.6 million and US$55.7 million, respectively.

The current purchase agreement with Airbus requires the Company to accept delivery of 144 Airbus A320 family aircraft during a period of eight years (from January 2023 to December 2030). The agreement provides for the addition of 144 Aircraft to its fleet as follows: five in 2023, seventeen in 2024, sixteen in 2025, twenty-seven in 2026, twenty-one in 2027, nineteen 2028, fourteen in 2029 and twenty-five to be delivered during 2030. Commitments to acquisitions of property and equipment are disclosed in Note 25.

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

During the years ended December 31, 2022, 2021 and 2020 the Company entered into aircraft and spare engines sale and leaseback transactions, resulting in gains of US$21,193, US$9,668 and US$32,695, 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).

e) 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 US$5 million in 2022 and US$1.5 million in 2017, which are amortized on a straight-line basis, prospectively during the term of the agreement. For the years ended December 31, 2022, 2021 and 2020, the Company amortized a corresponding benefit from these credit notes of US$452, US$258 and US$245, respectively, recognized as an offset to maintenance expenses in the consolidated statements of operations.

As of December 31, 2022 the carrying amount of assets held for sale was US$795. For the year ended December 31, 2022 the depreciation expense was of US$309. (See Note 1 j).

As of December 31, 2021 the carrying amount of assets held for sale was US$382 and for the year ended December 31,2021 the depreciation expense was of US$1,917.

For the years ended December 31, 2022, 2021 and 2020, there were no impairments of rotable spare parts, furniture and equipment, net.

13. Intangible assets, net

The composition and movement of intangible assets is as follows:

	Useful Life years	Gross value 2022		Gross value 2021		Accumulated amortization 2022		Accumulated amortization 2021		Net carrying amount 2022		Net carrying amount 2021	
		At December 31,											
Software	1 – 4	US$	47,850	US$	41,048	US$	(35,125)	US$	(28,416)	US$	12,725	US$	12,632

Balance as of January 1st, 2021	US$	9,603
Additions		10,142
Disposals		(1)
Amortization		(6,752)
Exchange differences		(360)
Balance as of December 31, 2021		12,632
Additions		6,790
Amortization		(6,696)
Exchange differences		(1)
Balance as of December 31, 2022	US$	12,725

During the second half of 2021 and beginning of 2022 the Company implemented the SAP S/4HANA software. During 2022 and 2021 the costs directly attributable to developments and improvements to systems were recognized as an intangible asset and other non-qualifying costs as part of the implementation were recognized in the statements of operations.

Software amortization expense for the years ended December 31, 2022, 2021 and 2020 was US$6,696, US$6,752 and US$4,715, respectively. These amounts were recognized in depreciation and amortization caption on the consolidated statements of operations.

14. Leases

As of December 31, 2022 and 2021 the most significant leases are as follows:

a) Aircraft and engines represent the Company´s most significant lease agreements. As of December 31, 2022, the Company leases 116 aircraft (100 as of December 31, 2021) and 23 spare engines under lease agreements (20 as of December 31, 2021) that have maximum terms through 2034. These leases are generally guaranteed by either deposit in cash or letters of credits.

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

Composition of the fleet and spare engines, leases*:

Aircraft Type	Model	At December 31, 2022	At December 31, 2021
A319	132	3	3
A319	133	-	2
A320	233	39	39
A320	232	1	1
A320NEO	271N	48	39
A321	231	10	10
A321NEO	271N	15	6
		116	100

Engine spare Type	Model	At December 31, 2022	At December 31, 2021
V2500	V2524-A5	2	2
V2500	V2527M-A5	3	3
V2500	V2527E-A5	6	5
V2500	V2527-A5	6	4
PW1100	PW1127G-JM	5	5
PW1100	PW1133G-JM	1	1
		23	20

* 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, 2022, the Company added eighteen new leased aircraft to its fleet (six A320 NEO´s and seven A321 NEO acquired through sale and leaseback transactions under the Company´s existing Airbus purchase agreement. Additionally, three A320 NEO and two A321 NEO AC were obtained directly from the lessor´s aircraft order book). Also, the Company extended the lease term of two A321CEO (effective from 2023), two A320CEO (effective from September 2022 and July 2023) and one A319CEO (effective from March 2021). Finally, the Company returned two aircraft to their respective lessors (two A319CEO aircraft). All the aircraft incorporated through the lessor´s aircraft order were not subject to sale and leaseback transactions.

During the year ended December 31, 2022, the Company also incorporated three CEO spare engines. Such leases were not subject to sale and leaseback transactions. Also, the Company extended the lease term of two spare engines (effective from February 2022).

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 the Company´s 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).

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 ,2021	US$ 1,674,620	US$ 41,567	US$ 4,036	US$ 1,720,223
Additions	437,334	2,928	13,894	454,156
Modifications	60,239	2,084	6,928	69,251
Disposals	-	-	(273)	(273)
Foreign currency translation effects	(56,768)	-	(3)	(56,771)
Depreciation on right of use assets	(252,761)	(11,626)	(4,964)	(269,351)
As of December 31, 2021	1,862,664	34,953	19,618	1,917,235
Additions	521,711	1,023	30,597	553,331
Modifications	25,895	(168)	5,081	30,808
Depreciation on right of use assets	(299,517)	(11,627)	(9,299)	(320,443)
As of December 31, 2022	US$ 2,110,753	US$ 24,181	US$ 45,997	US$ 2,180,931

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

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022		2021	
As of January 1st,	US$	2,412,137	US$	2,212,201
Additions		550,834		464,049
Modifications		29,842		67,589
Disposals		-		(291)
Accretion of interest		165,043		127,329
Foreign exchange effect		(129)		72,449
Foreign currency translation effects		-		(72,221)
Payments		(449,004)		(458,968)
As of 31 December,	US$	2,708,723	US$	2,412,137
Current	US$	335,620	US$	283,843
Non-current	US$	2,373,103	US$	2,128,294

The Company had total cash outflows for leases of US$449,004 in 2022 (US$458,968 in 2021 and US$284,363 in 2020).

During 2020 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 statement of operations for 2020 was US$8,880 which reflects the changes to lease payments that arose from such concessions.

During the years ended of December 31, 2022 and 2021, the Company did not have lease modifications arising as a direct result of COVID-19.

For the years ended December 31, 2022, 2021 and 2020 the amounts recognized in profit or loss were as follow:

	For the year ended					
	December 31, 2022		December 31, 2021		December 31, 2020	
Depreciation of right-of-use assets	US$	(320,443)	US$	(269,351)	US$	(236,417)
Interest expense on lease liabilities and aircraft and engine lease return obligation (Note 23)		(174,769)		(128,159)		(108,907)
Aircraft and engine variable lease expenses		(124,532)		(83,373)		(85,957)
Total amount recognized in profit or loss	US$	(619,744)	US$	(480,883)	US$	(431,281)

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 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 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, 2022, 2021 and 2020, in relation with this provision the Company expensed as supplemental rent US$58,658, US$55,668 and US$65,986, respectively.

Extension options

Certain lease agreements 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.

During 2022 and 2021 the Company decided to exercise extension options for some agreements that resulted in an increase in the lease liability and the corresponding right of use assets by an amount of US$30,653 and US$66,850, respectively.

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

15. Accrued liabilities

a) The detail of current accrued liabilities as of December 31, 2022 and 2021 is as follows:

	2022		2021	
Fuel and traffic accrued expenses	US$	105,284	US$	88,389
Maintenance and aircraft parts accrued expenses		25,172		22,667
Salaries and benefits		19,091		21,017
Accrued administrative expenses		12,517		9,564
Sales, marketing and distribution accrued expenses		7,636		18,772
Maintenance deposits		5,933		8,267
Deferred revenue from V Club membership		4,967		3,665
Information and communication accrued expenses		2,979		1,987
Supplier services agreement		2,262		1,154
Others		408		2,233
Benefits from suppliers		270		378
Advances from travel agencies		53		3
	US$	186,572	US$	178,096

b) Non-current accrued liabilities as of December 31, 2022 and 2021 is as follows:

	2022		2021	
Supplier services agreement	US$	12,914	US$	763
Benefits from suppliers		-		441
Other		369		271
	US$	13,283	US$	1,475

16. Other liabilities

	Balance as of January 1, 2022		Increase for the year		Payments		Balance as of December 31, 2022	
Aircraft and engine lease return obligation (Note 1r and 2i)	US$	188,879	US$	94,815	US$	(34,228)	US$	249,466
Employee profit sharing (Note 17)		12,686		136		(12,436)		386
	US$	201,565	US$	94,951	US$	(46,664)	US$	249,852
Current maturities							US$	5,398
Non-current							US$	244,454

	Balance as of January 1, 2021		Increase for the year		Payments		Conversion effects		Balance as of December 31, 2021	
Aircraft and engine lease return obligation (Note 1r and 2i)	US$	125,546	US$	70,120	US$	(1,914)	US$	(4,873)	US$	188,879
Guarantee deposit (Note 1k)		12,532		-		(12,327)		(205)		-
Employee profit sharing (Note 17)		723		12,951		(787)		(201)		12,686
	US$	138,801	US$	83,071	US$	(15,028)	US$	(5,279)	US$	201,565
Current maturities									US$	34,635
Non-current									US$	166,930

During the years ended December 31, 2022 and 2021 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.

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

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, 2022, 2021 and 2020, are as follows:

	2022		2021		2020	
Analysis of net period cost:						
Current service cost	US$	6,518	US$	425	US$	398
Interest cost on benefit obligation		692		127		123
Net period cost	US$	7,210	US$	552	US$	521

Changes in the defined benefit obligation are as follows:

	2022		2021	
Defined benefit obligation as of January 1,	US$	3,968	US$	2,538
Net period cost charged to profit or loss:				
Current service cost		6,518		425
Interest cost on benefit obligation		692		127
Remeasurement losses in other comprehensive income:				
Actuarial changes arising from changes in assumptions		(253)		432
Payments made		(179)		(71)
Conversion effect foreign currency		241		(67)
Others		-		584
Defined benefit obligation as of December 31,	US$	10,987	US$	3,968

The significant assumptions used in the computation of the seniority premium obligations are shown below:

	2022	2021	2020
Financial:			
Discount rate	9.21%	7.84%	7.04%
Expected rate of salary increases	5.50%	5.50%	5.50%
Annual increase in minimum salary	19.00/4.00%*	19.00/4.50%	4.00%

19.00% applies to the General Zone and 4.00% to the Border Zone in Mexico

Biometric:

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).

* Border Zone, is made up of the states that border with the United States and the General Zone is made up by the rest states of the country.

Accruals for short-term employee benefits (included as part of other liabilities). As of December 31, 2022 and 2021, respectively, are as follows:

	2022		2021	
Employee profit-sharing (Note 16)	US$	386	US$	12,686

The key management personnel of the Company include the members of the Board of Directors (Note 7).

Sensitivity analysis

A reasonably possible variation 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, 2022 in the amounts shown below:

		Present value of the defined benefit obligation (In thousands of U.S. dollars)			
Assumptions		Increase		Decrease	
Discount rate:	50 basis points	US$	10,431	US$	11,589
Statutory minimum wage increase rate:	50 basis points	US$	11,197	US$	10,789
Salary increase rate:	50 basis points	US$	11,678	US$	10,380

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 (US$797 as of November 11, 2014 based on an exchange rate of Ps.13.58 to US$1), 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 (US$520 as of November 11, 2014 based on an exchange rate of Ps.13.58 to US$1), 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 2022, 2021 and 2020, the extensions to the LTIP were approved by the Company's shareholder's and the Company's Board of Directors, respectively. The total cost of the extensions approved were US$5,703 (US$3,707 net of withheld taxes), US$5,086 (US$3,307 net of withheld taxes) and US$4,618 (US$3,003 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 U.S. dollars, except when indicated otherwise)

As of December 31, 2022 and 2021, 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, 2021	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*
Purchased during the year	4,354,473
Granted during the year	-
Exercised/vested during the year	(2,161,968)
Forfeited during the year	(103,712)
Outstanding as of December 31, 2022	6,579,214*

*These shares are presented as treasury shares in the consolidated statement of financial position as of December 31, 2022, 2021 and January 1, 2021.

The vesting period of the shares granted under the Company's share purchase plans is as follows:

Number of Series A shares	Vesting period
3,084,981	November 2023
2,042,732	November 2024
1,451,501	November 2025
6,579,214	

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, 2022, 2021 and 2020, the compensation expense recorded in the consolidated statement of operations amounted to US$5,074, US$4,410 and US$3,519, respectively.

During 2022, 2021 and 2020, 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, 2022, 2021 and 2020, were 103,712, 551,732 and 327,217, 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(US$796 as of November 6, 2014 based on an exchange rate of Ps.13.61 to US$1).

Fair value of the SARs was measured at each reporting date. The retention plan granted in previous periods expired in November 2020.

The compensation cost is recognized in the consolidated statement of operations under the caption of salaries and benefits over the service period. During the year ended December 31, 2020, the Company recorded a benefit of US$(95) 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.

Such payment was determined based on the increase in the share price of the Company from the grant date to the exercisable date.

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 (US$10,305 as of December 27 ,2012 based on an exchange rate of Ps. 12.97 to US$1) 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 (US$213 as of December 24, 2012 based on an exchange rate of Ps.12.77 to US$1) 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.

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 (US$1,976) 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 table of the next page illustrates the number of shares options and fixed exercise prices during the year 2021.

	Number of share options	Exercise price in Mexican pesos		Total in thousands of Mexican pesos	
Outstanding as of January 1st, 2021	7,653,981	Ps.	5.31	Ps.	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.	-

As of December 31, 2021 all the share options were exercised.

On August 9, 2022, the Irrevocable Trust number F-307750 with HSBC Mexico S.A., Institución de Banca Múltiple, were terminated through payment of the outstanding amounts.

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

- **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 on 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, 2022 and 2021 was US$1,562 and US$5,927, 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, 2022, 2021 and 2020, the Company recorded a (benefit) expense of US$(4,365), US$(2,984) and US$5,457, respectively, in the consolidated statement of operations. During the years ended 2022, 2021 and 2020 were not exercised any SARs.

The summary related to (benefit) expense recognized for the Company's retention plans during the years 2022, 2021 and 2020 is shown in the following table:

	2022		2021		2020	
(Benefit) expense arising from cash-settled share-based payments transactions	US$	(4,365)	US$	(2,984)	US$	5,362*
Expense arising from equity-settled share-based payments transactions		5,074		4,410		3,519
Total expense arising from share-based payments transactions	US$	709	US$	1,426	US$	8,881

* The figures included LTIP - SARs (cash settled) benefit of US$(95).

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 "Share based payment".

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.33.80, Ps.32.23 and Ps.9.74 for the years ended 2022, 2021 and 2020, 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, 2022, 2021 and 2020 available to be exercised is 5,945,417, 4,589,726 and 5,233,693, respectively and are included in treasury shares.

19. Equity

As of December 31, 2022, 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)	-	(13,452,393)	(13,452,393) [1]
	24,180	1,152,500,104	1,152,524,284

[1] The number of forfeited shares as of December 31, 2022 were 103,712, which are included in treasury shares.

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

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 included in treasury shares.

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 US$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. 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 US$164.4 million (after the deduction of the underwriters´ commission and expenses payable by the Company) obtained from the offering are to be used for general corporate purposes. The increase in capital stock amounted US$164.4 million.

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.

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, 2022, 2021 and 2020 the Company did not declare any dividends.

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, 2022 and 2021, the Company's legal reserve was US$17,363, or 8.5% and 8.5% respectively of our capital stock.

For the years ended December 31, 2022, 2021 and 2020, we did not allocate any amount to our legal reserve fund. As of December 31, 2022, 2021 and 2020 the Company's legal reserve has not reached the 20% of its capital stock.

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.

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. As of December 31, 2022 and 2021, the Company had balance of US$0.1 and US$0.1, respectively.

a) (Loss) earnings per share

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

Diluted (LPS) EPS amounts are calculated by dividing the (loss) earnings 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 income per share for the years ended December 31, 2022, 2021 and 2020.

	As of December 31,					
	2022		2021		2020	
Net (loss) income for the period	US$	(80,224)	US$	106,453	US$	(191,722)
Weighted average number of shares outstanding (in thousands):						
Basic		1,155,030		1,152,256		1,004,965
Diluted		1,165,135		1,165,612		1,021,286
LPS – EPS:						
Basic	US$	(0.069)	US$	0.092	US$	(0.191)
Diluted	US$	(0.069)	US$	0.091	US$	(0.188)

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.

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 2022, 2021 and 2020 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 2022, 2021 and 2020 were in Guatemala 25%, Costa Rica 30% and El Salvador 30%.

b) For the years ended December 31, 2022, 2021 and 2020, the Company reported on a combined basis taxable income of US$53,293, US$59,472 and US$15,140, 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, 2022, 2021 and 2020 is as follows:

Consolidated statements of operations

	2022		2021		2020	
Current year income tax expense	US$	(15,456)	US$	(17,903)	US$	(3,978)
Deferred income tax (expense) benefit		67,595		(12,670) [1]		65,709 [2]
Total income tax benefit (expense)	US$	52,139	US$	(30,573)	US$	61,731

[1] Includes translation effect by US$ (118)
[2] Includes translation effect by US$ 90

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

Consolidated statements of comprehensive income

	2022		2021		2020	
Deferred income tax related to items recognized in OCI during the year						
Net (loss) gain cash flow hedges	US$	(80)	US$	(274)	US$	2,347
Remeasurement (loss) gain of employee benefits		(79)		138		39
Deferred income tax recognized in OCI	US$	(159)	US$	(136)	US$	2,386

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 effective income tax reconciliation using domestic tax rate

	2022	%	2021	%	2020	%
Statutory income tax rate	(39,709)	30.00%	41,108	30.00%	(76,036)	30.00%
Amendment tax return effects and other tax adjustments	1,242	(0.94%)	(29)	(0.02%)	(3,563)	1.41%
Inflation on furniture, intangible and equipment	(309)	0.23%	(2,323)	(1.70%)	(873)	0.34%
Inflation of tax losses	(4,335)	3.28%	(1,971)	(1.44%)	(676)	0.27%
Foreign countries difference with Mexican statutory rate	(9)	0.00%	124	0.10%	175	(0.07%)
Annual inflation adjustment	(11,200)	8.46%	(7,971)	(5.82%)	2,591	(1.02%)
Recorded deferred taxes on tax losses	7	0.00%	(434)	(0.32%)	3,733	(1.47%)
Non-deductible expenses	7,695	(5.81%)	2,069	1.51%	12,918	(5.10%)
Difference in Foreign Exchange income (loss) for tax purposes	(5,521)	4.17%	-	-	-	-
	(52,139)	39.39%	30,573	22.31%	(61,731)	24.36%

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, 2022, 2021 and 2020, our subsidiary in Guatemala generated tax losses of US$10, US$32 and US$91, respectively.

According to Costa Rica Corporate Income tax law, under the regime on profits from business activities, tax losses can offset taxable income in a term of three years. For the year ended December 31, 2022, our subsidiary in Costa Rica generated net operating gain for an amount of US$3,869. For the years ended December 31, 2021 and 2020, our subsidiary in Costa Rica generated net operating losses for an amount of US$5,947 and US$2,794, 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, 2022, our subsidiary in El Salvador generated net operating gain for an amount of US$17,078. For the years ended December 31, 2021 and 2020, our subsidiary in El Salvador generated net operating losses for an amount of US$2,601 and US$833, respectively.

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

e) An analysis of consolidated deferred taxes is as follows:

	2022		2021	
	Consolidated statement of financial position	Consolidated statement of operations	Consolidated statement of financial position	Consolidated statement of operations
Deferred income tax assets:				
Lease liability	US$ 755,855	US$ 122,856	US$ 633,033	US$ (7,745)
Unearned transportation revenue	58,010	48,176	9,885	(53,134)
Aircraft and engine lease return obligation	77,007	23,951	53,056	15,448
Tax losses available for offsetting against future taxable income	38,387	33,122	4,865	(24,499)
Intangible	29,687	(364)	30,052	10,430
Allowance for doubtful accounts	4,854	(1,510)	6,356	3,599
Employee benefits	2,486	2,104	294	(391)
Employee profit sharing	134	(3,672)	3,805	4,076
Non derivative financial instruments	-	-	-	24,360
	966,420	224,663	741,346	(27,856)
Deferred income tax liabilities:				
Right of use asset	571,521	106,233	465,382	(57,188)
Supplemental rent	55,479	(7,872)	63,351	(29,592)
Rotable spare parts, furniture and equipment, net	120,561	54,960	65,618	29,015
Provisions	7,345	4,200	2,430	12,789
Inventories	4,594	338	4,256	215
Other prepayments	376	(1,034)	1,431	675
Derivative Financial instruments	33	-	113	-
Prepaid expenses and other assets	8,963	243	8,684	29,017
	768,872	157,068	611,265	(15,069)
	US$ 197,548	US$ 67,595	US$ 130,081	US$ (12,787)

Reflected in the consolidated statement of financial position as follows:

	2022	2021
Deferred tax assets	US$ 208,010	US$ 141,272
Deferred tax liabilities	(10,462)	(11,191)
Deferred tax assets, net	US$ 197,548	US$ 130,081

A reconciliation of deferred tax asset, net is as follows:

	2022	2021
Opening balance as of January 1,	US$ 130,081	US$ 146,816
Deferred income tax benefit (expense) during the current year recorded on profits*	67,595	(12,787)
Deferred income tax expense during the current year recorded in accumulated other comprehensive loss	(159)	(136)
Conversion effects	31	(3,812)
Closing balance as of December 31,	US$ 197,548	US$ 130,081

*In 2021 includes the tax effect of the discontinuation of the hedging reserve by US$24 million.

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 as of December 31, 2022 and 2021 a deferred tax asset for tax losses of US$38,387 and US$4,865, respectively.

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

An analysis of the available tax losses carry-forward of the Company at December 31, 2022 is as follows:

Year of loss	Historical Loss		Inflation adjusted tax loss		Utilized		Total remaining amount		Year of expiration
2019	US$	239	US$	304	US$	166	US$	138	2029
2020		5,461		5,461		2,126		3,335	2023
2020		2,745		3,427		103		3,324	2030
2021		6,457		6,404		-		6,404	2024
2021		550		651		-		651	2031
2022		110,922		114,105		-		114,105	2032
	US$	126,374	US$	130,352	US$	2,395	US$	127,957	

During the years ended December 31, 2022 and 2021 the Company utilized US$4,035 and US$94,489, respectively of the available tax loss carry-forwards.

During the year ended December 31, 2022 the Company recognized US$110,922 of the available tax loss carry-forwards.

A breakdown of available tax loss carry-forward of Controladora and its subsidiaries as of December 31, 2022 is as follows:

	Historical Loss		Inflation adjusted tax loss		Utilized		Total remaining amount	
Concesionaria	US$	110,685	US$	113,861	US$	-	US$	113,861
Vuela Aviación		13,476		13,423		3,684		9,739
Comercializadora		2,628		3,256		166		3,090
Viajes Vuela		1,143		1,370		103		1,267
	US$	127,932	US$	131,910	US$	3,953	US$	127,957
Unrecognized NOLs								-
							US$	127,957
Tax rate								30%
Deferred income tax							US$	38,387

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 in 2022 was US$7,143 (2021 US$7,648). 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 will not distribute its profits until it obtains the consent of all venture partners.

f) At December 31, 2022 the Company had the following tax balances:

		2022
Adjusted contributed capital account (*Cuenta de capital de aportación* or "CUCA")	US$	489,080
CUFIN*		226,885

*The calculation comprises all the subsidiaries of the Company.

As of December 31, 2022, the Company has tax proceedings regarding uncertain tax positions by an amount of about U.S. $31 million, associated to the deductibility of certain Company expenses during 2013 and 2014. The Company has filed legal administrative procedures. Volaris considers that has solid arguments to believe that it will not have adverse effects. Nonetheless, until all stages in the procedures are exhausted in each proceeding, the Company cannot assure the achievement of a final favorable resolution.

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

21. Operating Revenues

For the years ended December 31, 2022, 2021 and 2020, the revenues from contracts with customers is described as follows:

Revenue recognition for the year ended	At the flight time		At the sale		
December 31, 2022	Domestic	International	Domestic	International	Total Revenues
Passenger Revenues					
Fare Revenues	US$ 1,097,480	US$ 563,696	US$ -	US$ -	US$ 1,661,176
Other Passenger Revenues	695,602	365,243	11,403	6,003	1,078,251
	1,793,082	928,939	11,403	6,003	2,739,427
Non-Passenger Revenues					
Other Non-Passenger revenues	92,088	889	-	-	92,977
Cargo	13,171	1,615	-	-	14,786
Total	US$ 1,898,341	US$ 931,443	US$ 11,403	US$ 6,003	US$ 2,847,190

Revenue recognition for the year ended	At the flight time		At the sale		
December 31, 2021	Domestic	International	Domestic	International	Total Revenues
Passenger Revenues					
Fare Revenues	US$ 860,143	US$ 405,837	US$ -	US$ -	US$ 1,265,980
Other Passenger Revenues	707,368	151,261	6,700	1,615	866,944
	1,567,511	557,098	6,700	1,615	2,132,924
Non-Passenger Revenues					
Other Non-Passenger revenues	76,306	566	-	-	76,872
Cargo	11,410	472	-	-	11,882
Total	US$ 1,655,227	US$ 558,136	US$ 6,700	US$ 1,615	US$ 2,221,678
Non-derivative financial instruments					(21,378)
					US$ 2,200,300

Revenue recognition for the year ended	At the flight time		At the sale		
December 31, 2020	Domestic	International	Domestic	International	Total Revenues
Passenger Revenues					
Fare Revenues	US$ 411,107	US$ 215,802	US$ -	US$ -	US$ 626,909
Other Passenger Revenues	332,497	75,865	6,014	1,621	415,997
	743,604	291,667	6,014	1,621	1,042,906
Non-Passenger Revenues					
Other Non-Passenger revenues	41,520	321	-	-	41,841
Cargo	9,387	260	-	-	9,647
Total	US$ 794,511	US$ 292,248	US$ 6,014	US$ 1,621	US$ 1,094,394
Non-derivative financial instruments					(19,408)
					US$ 1,074,986

Transactions from unearned transportation revenues

	2022	2021
January 1,	US$ 303,982	US$ 293,298
Deferred	2,781,914	2,154,865
Recognized in revenue during the year	(2,739,427)	(2,132,924)
Foreign currency translation effect	-	(11,257)
December 31,	US$ 346,469	US$ 303,982

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.

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

22. Other operating income and expenses

An analysis of other operating income is as follows:

	2022		2021		2020	
Gain on sale and leaseback (Note 12)	US$	21,193	US$	9,668	US$	32,695
Loss on sale of rotable spare parts, furniture and equipment		(1,645)		(122)		(127)
Other income		5,518		1,212		1,051
	US$	25,066	US$	10,758	US$	33,619

An analysis of other operating expenses is as follows:

	2022		2021		2020	
Administrative and operational support expenses	US$	49,431	US$	37,042	US$	29,827
Technology and communications		25,708		21,296		17,913
Others		15,756		92		9
Insurance		6,574		3,753		2,561
Passenger services		5,116		3,675		4,103
	US$	102,585	US$	65,858	US$	54,413

23. Finance income and cost

An analysis of finance income is as follows:

	2022		2021		2020	
Interest on cash and equivalents	US$	12,036	US$	2,872	US$	4,384
Interest on cash and equivalents held in the trust CIB/3249		711		280		301
Interest on recovery of guarantee deposits		155		379		99
	US$	12,902	US$	3,531	US$	4,784

An analysis of finance cost is as follows:

	2022		2021		2020	
Interest expense on lease liabilities and aircraft and engine lease return obligation	US$	174,769	US$	128,159	US$	108,907
Interest on asset backed trust notes		12,049		5,672		5,448
Cost of letter credit notes		4,131		3,025		3,410
Other finance costs		584		1,589		481
Interest on debts and borrowings*		533		703		768
Bank fees and others		308		226		176
Derivative financial instruments loss		161		-		19,130
	US$	192,535	US$	139,374	US$	138,320

* 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.

	2022		2021		2020	
Interest on debts and borrowings	US$	8,448	US$	7,801	US$	18,640
Capitalized interest (Note 12)		(7,915)		(7,098)		(17,872)
Net interest on debts and borrowing in the consolidated statements of operations	US$	533	US$	703	US$	768

24. Components of other comprehensive loss

a. An analysis of the other comprehensive loss for the years ended December 31, 2022 and 2021 is as follows:

	Remeasurements of employee benefits		Derivative and non-derivative financial instruments		Exchange differences on the translation of foreign		Total	
Other comprehensive loss:								
Balance as of January 1st, 2021	US$	(427)	US$	(80,124)	US$	(137,635)	US$	(218,186)
Comprehensive (loss) income of the year		(432)		80,033		(10,489)		69,112
Deferred tax effect		138		(274)		-		(136)
Balances as of December 31, 2021		(721)		(365)		(148,124)		(149,210)
Comprehensive income of the year		253		336		3,471		4,060
Deferred tax effect		(79)		(80)		-		(159)
Net balances as of December 31, 2022	US$	(547)	US$	(109)	US$	(144,653)	US$	(145,309)

b. An analysis of the effects of the derivative financial instruments in other comprehensive income (loss) for the years ended December 31, 2022, 2021 and 2020 is as follows:

	2022		2021		2020	
Derivative and non- derivative financial instruments:						
Extrinsic value of changes on jet fuel Asian call options	US$	-	US$	601	US$	(601)
Extrinsic value of changes on jet fuel Zero cost collars		-		484		(7,572)
Income (loss) of the interest rate Cap		336		(128)		(34)
		336		957		(8,207)
Non derivative financial instruments*		-		79,076		(79,824)
Total	US$	336	US$	80,033	US$	(88,031)

*As of December 31, 2021, includes the effect of the discontinuation of the hedging strategies by US$ 109 million 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	
2023	US$	224,629
2024		275,363
2025		711,455
2026		1,410,003
2027 and thereafter		4,204,369
	US$	6,825,819

All aircraft acquired by the Company through the Airbus purchase agreement through December 31, 2022, have been executed through sale and leaseback transactions.

In addition, we have commitments to execute sale and leaseback over the next three years. The estimated proceeds from these commitments are as follows:

	Aircraft sale prices estimated in thousands of U.S. dollars	
2023	US$	165,500
2024		998,000
2025		389,500
	US$	1,553,000

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	
2023	US$	7,977
2024		51,720
2025		104,014
2026		108,400
2027 and thereafter		1,028,688
	US$	1,300,799

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, 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, all to support the Company's targeted growth markets in Mexico, United States, Central America and South America.

On October 10th, 2022, the Company executed an amendment to our existing Airbus purchase agreement for the purchase of 25 A32NEO aircraft, all to be delivered in 2030.

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, 2022, 2021 and 2020 these possible contingencies amount to a total of US$7.8 million, US$8 million and US$6 million, respectively.

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:

	2022		2021		2020	
Operating revenues:						
Domestic (Mexico)	US$	1,909,744	US$	1,661,927	US$	800,525
International*:						
United States of America		758,609		509,976		271,899
Central America and South America		178,837		49,775		21,970
Non-derivative financial instruments		-		(21,378)		(19,408)
Total operating revenues	US$	2,847,190	US$	2,200,300	US$	1,074,986

*For the year ended December 31, 2022, the total revenue from international customers increased US$377,695 (67%) compared to the year ended December 31, 2021.

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, 2022 and through April 18, 2023:

Execution of a contract to be adhered to a Loyalty Program

On January 23, 2023, the Company through its subsidiary Concesionaria entered into an agreement with Lealtad Mercadotecnia y Conocimientos Agregados, S.A.P.I. de C.V. (the "Supplier"), a subsidiary of Fomento Económico Mexicano, S. A. B. de C. V. (FEMSA), through the aforementioned contract Concesionaria is adhered as a participating company to the Loyalty Program established and managed by the Supplier (the "Program"). The Program will offer exclusive benefits to its users, allowing them to accumulate and redeem reward points with OXXO and Volaris.

GRI Index

Statement of use: Volaris has reported in accordance with the GRI Standards for the period January 1, 2022 to December 31, 2022.

GRI 1 used: GRI 1: Foundation 2021

Applicable GRI Sector Standard(s): None apply.

GRI Standard	Disclosure	Location	Omission		
			Requirements Omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	Pg. 11, 12, 35, 36	TR-AL-540a.1	Description of implementation and outcomes of a Safety Management System.	Our Customers – Safety .
	2-2 Entities included in the organization's sustainability reporting	Pg. 9			
	2-3 Reporting period, frequency and contact point	Pg. 220, 226			
	2-4 Restatements of information	Pg. 74, 108, 112, 120, 121, 135, 141 Restatements are also articulated in relevant footnotes.			
	2-5 External assurance	Pg. 223, 224			
	2-6 Activities, value chain and other business relationships	Pg. 14, 15, 16, 17, 18, 20, 69			
	2-7 Employees	Pg. 90, 91, 94	Permanent, full-time, and part-time employees by region.	Information unavailable/ incomplete.	Volaris only reports this information at total company level.
	2-8 Workers who are not employees	Pg. 223		Not applicable.	Volaris does not have workers that are not employees.
	2-9 Governance structure and composition	Pg. 34, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49			
	2-10 Nomination and selection of the highest governance body	Pg. 39, 41			
	2-11 Chair of the highest governance body	Pg. 44, 45, 46, 47, 48,			
	2-12 Role of the highest governance body in overseeing the management of impacts	Pg. 39, 40			
	2-13 Delegation of responsibility for managing impacts	Pg. 21, 40, 49, 52, 53, 54, 55, 56, 57			
	2-14 Role of the highest governance body in sustainability reporting	Pg. 30, 31			

GRI Index

GRI Standard	Disclosure	Location	Omission		
			Requirements Omitted	Reason	Explanation
GRI 2: General Disclosures 2021	2-15 Conflicts of interest	Pg. 35, 36, 39, 41, 42			
	2-16 Communication of critical concerns	Pg. 66, 67			
	2-17 Collective knowledge of the highest governance body	Pg. 63			
	2-18 Evaluation of the performance of the highest governance body	Pg. 49, 50			
	2-19 Remuneration policies	Pg. 58, 59			
	2-20 Process to determine remuneration	Pg. 50, 58, 59			
	2-21 Annual total compensation ratio		All requirements.	Confidentiality constraints.	Due to employee safety and privacy concerns, Volaris does not report this information publicly.
	2-22 Statement on sustainable development strategy	Pg. 4, 5, 6, 7			
	2-23 Policy commitments	Pg. 64			
	2-24 Embedding policy commitments	Pg. 19, 20, 21, 22, 28, 64, 65, 66, 69, 71			
	2-25 Processes to remediate negative impacts	Pg. 66, 67, 79			
	2-26 Mechanisms for seeking advice and raising concerns	Pg. 24, 66, 67			
	2-27 Compliance with laws and regulations	Pg. 67, 116, 133			
	2-28 Membership associations	Pg. 32, 68			
	2-29 Approach to stakeholder engagement	Pg. 26, 27			
	2-30 Collective bargaining agreements	Pg. 90, 114, 115			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Pg. 30, 31, 212, 219			
	3-2 List of material topics	Pg. 213, 220 This list is unchanged from the 2021 IAR as no new materiality assessment was conducted in 2022.			

GRI Index

GRI Standard	Disclosure	Location	Omission		
			Requirements Omitted	Reason	Explanation
Regulatory compliance					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Pg. 67			
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	Pg. 67			
	417-3 Incidents of non-compliance concerning marketing communications	Pg. 67			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pg. 67, 87			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pg. 124, 144			
	201-4 Financial assistance received from government		All	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	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Pg. 136	**b.** Total fuel consumption from renewable sources. **d.** Total electricity, heating, cooling, or steam sold.	Not applicable.	**b.** Volaris does not consume any renewable energy. **d.** We do not sell any energy.
	302-2 Energy consumption outside of the organization		All	Information unavailable/ incomplete.	Volaris does not currently track energy consumption outside our organization.
	302-3 Energy intensity	Pg. 136			
	302-4 Reduction of energy consumption	Pg. 137, 138			
	302-5 Reductions in energy requirements of products and services	Pg. 138	All	Information unavailable/ incomplete.	Volaris does not currently track this information.

GRI Index

GRI Standard	Disclosure	Location	Omission		
			Requirements Omitted	Reason	Explanation
Climate change strategy/innovation and new technologies					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	Pg. 63 TCFD Report	**a.** (iii.) financial implications of the risk or opportunity before action is taken.	Information unavailable/ incomplete.	Volaris has not yet completed scenario analyses that consider specific financial impacts. We strive to integrate this into our future TCFD reports.
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Pg. 130, 134, 135	**c.** Biogenic CO_2 emissions in metric tons of CO_2 equivalent.	Not applicable.	Volaris does not combust biogenic emissions sources.
	305-2 Energy indirect (Scope 2) GHG emissions	Pg. 134, 135	**b.** If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent.	Not applicable.	Volaris does not currently calculate market-based Scope 2 emissions as we do not use any contractual instruments such as Renewable Energy Certificates.
	305-3 Other indirect (Scope 3) GHG emissions		All	Information unavailable/ incomplete.	Volaris does not currently track our Scope 3 emissions.
	305-4 GHG emissions intensity	Pg. 134 Form 20-F, pg. 17 for RPM data			
	305-5 Reduction of GHG emissions	Pg. 130, 137, 138			
	305-6 Emissions of ozone-depleting substances (ODS)		All	Not applicable.	Our operations and facilities do not generate ODS.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		All	Information unavailable/ incomplete.	We do not currently track data related to NOx, SOx.

GRI Index

GRI Standard	Disclosure	Location	Omission		
			Requirements Omitted	Reason	Explanation
Talent attraction and retention					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 85, 107, 116, 131, 137, 138, 143, 144			
GRI 201: Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans	Please see our most recent 20-F (pg. F-68, 'Employee Benefits') for information on our defined benefit obligations and other employee benefits.			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Pg. 108, 109, 110, 112	b. Total number and rate of employee turnover by age group.	Information unavailable/ incomplete.	Volaris does not report turnover by age group; instead, data is shown by region and gender.
	401-3 Parental leave	Pg. 97			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Pg. 102, 103			
	404-2 Programs for upgrading employee skills and transition assistance programs	Pg. 98, 99, 100, 101, 102, 104, 105, 106	**b.** Transition assistance programs.	Information unavailable/ incomplete.	Volaris does not currently disclose this information.
	404-3 Percentage of employees receiving regular performance and career development reviews	Pg. 98, 99, 100			
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Pg. 42, 43, 90, 92, 93, 94			
	405-2 Ratio of basic salary and remuneration of women to men	Pg. 95	**a.** Ratios by significant locations of operation. **b.** The definition used for 'significant locations of operation'.	Information unavailable/ incomplete.	Volaris does not currently track gender pay ratios by operational location. Information is reported for the entire workforce.

GRI Index

GRI Standard	Disclosure	Location	Omission		
			Requirements 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	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pg. 116, 120, 121			
	403-2 Hazard identification, risk assessment, and incident investigation	Pg. 117, 118			
	403-3 Occupational health services	Pg. 117, 118			
	403-4 Worker participation, consultation, and communication on occupational health and safety	Pg. 117, 118			
	403-5 Worker training on occupational health and safety	Pg. 103			
	403-6 Promotion of worker health	Pg. 119			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pg. 117, 118			
	403-8 Workers covered by an occupational health and safety management system	Pg. 116			
	403-9 Work-related injuries	Pg. 119, 120, 121			
	403-10 Work-related ill health	Pg. 119, 120, 121			
Customer experience					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Pg. 80, 81, 82, 83, 84, 85			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling		All	Not applicable.	Volaris provides airline transportation services and does not sell consumer goods with labeling requirements.

GRI Index

GRI Standard	Disclosure	Location	Omission		
			Requirements Omitted	Reason	Explanation
Risk, opportunities, and crisis management					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			
Ultra-low-cost business model					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			
Operational efficiency					
GRI 417: Marketing and Labeling 2016	3-3 Management of material topics	Pg. 14, 60, 61, 62, 63, 67, 74, 77, 78, 79, 80, 81, 82, 83, 85, 87, 107, 116, 131, 137, 138, 143, 144			

SASB Index

Volaris Material Topic	SASB Topic	SASB Code	Accounting Metric	Report Location or Response
Occupational safety	Accident & Safety Management	TR-AL-540a.1	Description of implementation and outcomes of a Safety Management System	Our Customers – Safety
		TR-AL-540a.2	Number of aviation accidents	Our Customers – Safety
		TR-AL-540a.3	Number of governmental enforcement actions of aviation safety regulations	Our Ambassadors – Health and Occupational Safety
Compliance	Competitive Behavior	TR-AL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Our Corporate Governance-Regulatory Compliance
Climate change strategy	Greenhouse Gas Emissions	TR-AL-110a.1	Gross global Scope 1 emissions	Our Climate Change Strategy – GHG Emissions
		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	Our Climate Change Strategy – Our Emissions Reduction Pathway and GHG Emissions
		TR-AL-110a.3	(1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable	(1) Our Climate Change Strategy – GHG Emissions (2-3) No alternative or sustainable fuel used in 2022.
Operational efficiency	Activity metrics	TR-AL-000.A	Available Seat Kilometers (ASK)	56,778,992,076 km
		TR-AL-000.B	Passenger load factor	Our Customers – Operational Efficiency
		TR-AL-000.C	Revenue Passenger Kilometers (RPK)	Our Customers – Operational Efficiency
		TR-AL-000.D	Revenue Ton Kilometers (RTK)	Our Customers – Operational Efficiency
		TR-AL-000.E	Number of departures	We Are Volaris Our Customers – Operational Efficiency
		TR-AL-000.F	Average age of fleet	We Are Volaris Our Climate Change Strategy – Fleet Renewal and Technology Upgrades
Talent attraction and retention	Labor Practices	TR-AL-310a.1	Percentage of active workforce covered under collective bargaining agreements	Our Ambassadors – Workforce Composition
		TR-AL-310a.2	(1) Number of work stoppages and (2) total days idle	We do not disclose this information at this time. For more information on our labor relations, please refer to the Freedom of Association and Collective Bargaining section of the Our Ambassadors chapter.

ESG Materiality Assessment Methodology

GRI 3-1

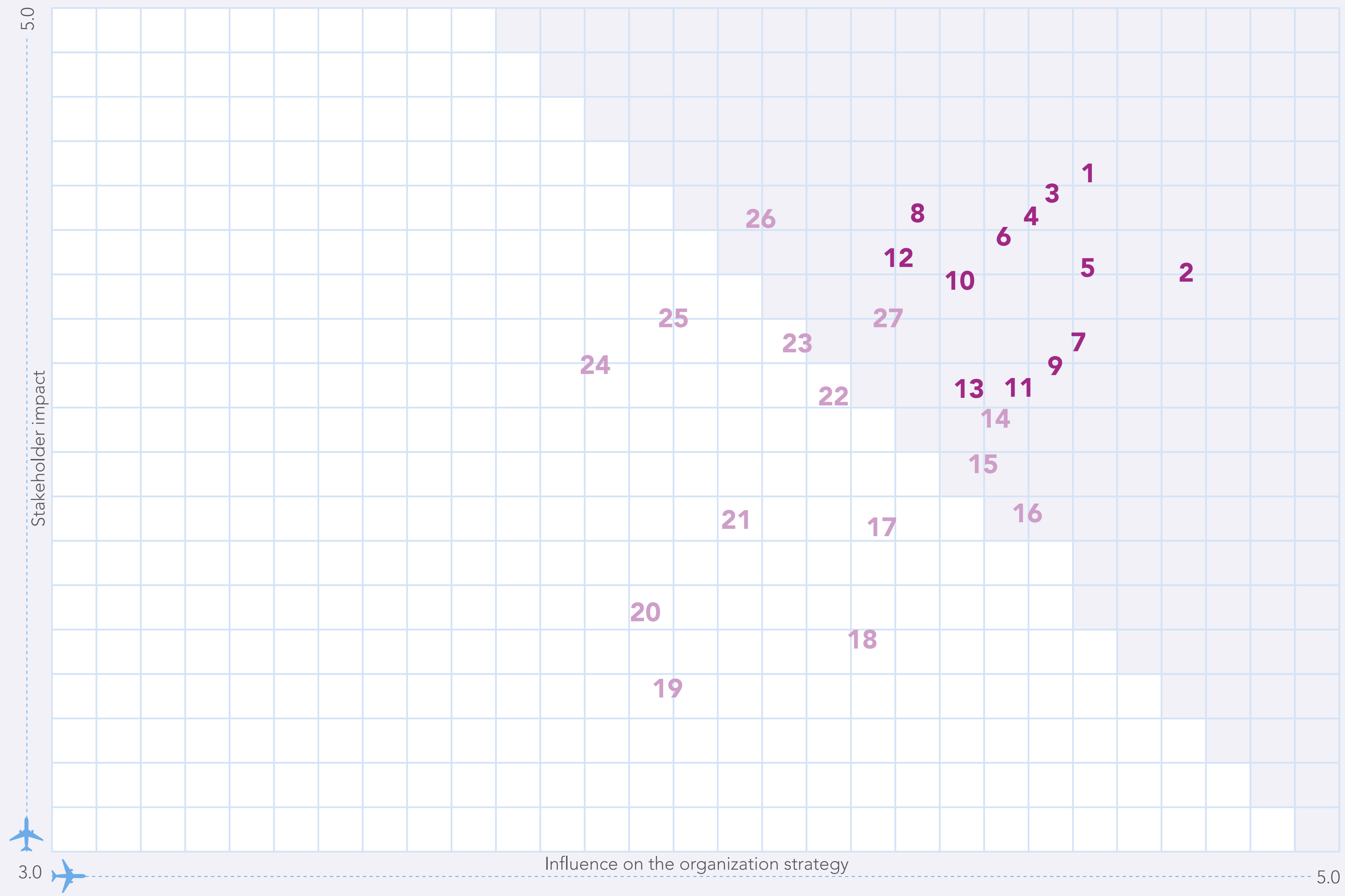
Our ESG materiality analysis is used to reinforce ESG strategy and identify relevant issues to our Company and stakeholders.

The steps to identify and prioritize the priority issues were:

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 were the Sustainability Yearbook 2021 - Airlines sector, SASB Standards for Transportation – Airlines, and GRI Airport Operations sector disclosures.
3. **Interviews with Company directors.** Seventeen executives were interviewed for their perspectives.
4. **Prioritization of the full list of topics.** Volaris narrowed down the list of relevant issues 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.** The matrix was then reviewed and confirmed with the Company's key executives.
6. **Generation of final materiality matrix and list of material issues.** These results were first published in the 2021 IAR.

Methodology

The matrix was produced using 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.



Priority 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

List of ESG Priority Topics

GRI 3-2

1. **Operational safety:** Protecting the security of our Ambassadors and customers through operational protocols, emergency response procedures, regulatory compliance, and more.
2. **Risks, opportunities, and crisis management:** Policies and procedures to identify, monitor, and mitigate risk.
3. **Biosecurity:** Biosecurity and cleanliness protocols to protect people's health.
4. **Customer satisfaction and experience:** Serving customers, resolving issues, 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 long-term satisfaction and permanence within the organization, 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.

Abbreviations Index

Abbreviation	Description
ACMS	Aircraft Condition Monitoring System
ADS	American Depositary Share
AFAC	Federal Civil Aviation Agency in Mexico (Agencia Federal de Aviación Civil en México)
AFR	Accident Frequency Rate
APU	Auxiliary Power Unit
AQD	Aviation Quality Database
ASM	Available Seat Miles
BMV	Mexican Stock Exchange (Bolsa Mexicana de Valores)
BPO	Business Process Owner
BRM	Baggage Reference Manual
CASM	Cost per Available Seat Mile
CCASO	Chief Corporate Affairs and Sustainability Officer
CCO	Operational Control Center (Centro de Control Operacional)
CCPA	California Consumer Privacy Act
CEMEFI	Mexican Center for Philanthropy (Centro Mexicano para la Filantropía)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFR	Code of Federal Regulations in the United States
CH4	Methane
CLO	Chief Legal Officer
CNBV	National Banking and Stock Commission (Comisión Nacional Bancaria y de Valores)
CO_2	Carbon Dioxide
COBIT	Control Objectives for Information and Related Technology
COO	Chief Operating Officer
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation

Abbreviation	Description
COSO	Committee of Sponsoring Organizations
COVID-19	Coronavirus Disease 2019
CPO	Ordinary Participation Certificates (Certificados de Participación Ordinaria).
CPRA	California Privacy Rights Act
CRO	Complaint Resolution Official
DGAC	General Directorate of Civil Aviation of Costa Rica (Dirección General de Aviación Civil)
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
ESR	Socially Responsible Company (Empresa Socialmente Responsible)
FAA	Federal Aviation Administration of the United States
FCPA	Foreign Anti-Corruption Practices Law (Ley de Prácticas Anticorrupción en el Extranjero)
FDA	Flight Data Analysis
FEMSA	Fomento Económico Mexicano, S.A.B. de C.V.
FTE	Full-Time Equivalent
FY	Fiscal Year
Gal/ASM	Gallon/Available Seat Miles
gCO_2/RPK	Grams of Carbon Dioxide/Revenue Passenger Kilometre
GDPR	EU General Data Protection Regulation
GHG	Greenhouse Gas
GPU	Ground Power Unit
GRI	Global Reporting Initiative
GTF	Geared Turbofan
GTR	Global Trade Review

Abbreviations Index

Abbreviation	Description
GWP	Global Warming Potential
IAMS	Integrated Airline Management System
IAR	Integrated Annual Report
IASA	International Aviation Safety Assessment Program
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IIRC	International Integrated Reporting Council
IMPI	Mexican Institute of Industrial Property (Instituto Mexicano de la Propiedad Industrial)
IOSA	IATA Operational Safety Audit
ISO	International Organization for Standardization
IT	Information Technology
KPI	Key Performance Indicator
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)
LLC	Limited Liability Company
LWR	Lost Workdays Rate
MILA	Latin American Integrated Market (Mercado Integrado Latinoamericano)
MM	Million
N2O	Nitrous Oxide
NEO	New Engine Option
NGO	Non-Governmental Organization
NPS	Net Promoter Score
NYSE	New York Stock Exchange
OECD	Organization for Economic Co-operation and Development
OIR	Occupational Incidence Rate
PDP	Pre-Delivery Payments
PET	Polyethylene Terephthalate

Abbreviation	Description
PIR	Passenger Irregularity Report
PROFECO	Office of the Federal Prosecutor for the Consumer in Mexico (Procuraduría Federal del Consumidor)
QMS	Quality Management System
RENE	National Emissions Registry in Mexico (Registro Nacional de Emisiones)
RPK	Revenue Passenger Kilometer
RPM	Revenue Passenger Mile
SAFs	Sustainable Aviation Fuels
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goal
SEC	Securities and Exchange Commission in the U.S.
SEMARNAT	Secretariat of Environment and Natural Resources in Mexico (Secretaría de Medio Ambiente y Recursos Naturales)
SMS	Occupational Safety Management System
SOI	Internal Opportunity System
SOP	Standard Operating Procedures
SPI	Safety Performance Indicators
STEM	Science, Technology, Engineering, and Math
STIA	Union of Workers of the Aeronautical, Communications, Similar and Related Industry of the Mexican Republic (Industria Aeronáutica, Similares y Conexos de la República Mexicana)
TAL	Total Absence/Lost Days
TCFD	Task Force on Climate-Related Financial Disclosures
TRASM	Total Revenue per Available Seat Mile
UN	United Nations
US/USA	United States of America
U.S.	Dollars
VFR	Visiting Friends and Relatives
WEFA	Wireless Extension For ACMS

External Assurance Statements

GRI 2-5

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 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 selected performance indicators ("Subject Matter") included and presented in the Annual Integrated Report 2022 (the "Report") and mentioned in the annex A; as of December 31, 2022.

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 selected performance indicators, Controladora Vuela Compañía de Aviación, S.A.B. de C.V. applied their own established criteria for the indicator "Evaluated suppliers", as well as in reference to what is set forth in the Global Reporting Initiative Standard (GRI) and the Sustainability Accounting Standards Board (SASB) henceforth and collectively "the Criteria".

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

Controladora Vuela Compañía de Aviación, S.A.B. de C.V. management is responsible for selecting the Criteria, and for presenting the selected performance indicators in reference to the 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 selected performance indicators included in Annex A based on the evidence we have obtained.

We conducted our engagement in reference to 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 February 9, 2023. 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 reference to 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.

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 selected performance indicators and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Interviews with the responsible persons to obtain an understanding of the data management systems and processes used to generate, disaggregate, and report information related to the Criteria.
- Analytical procedures such as validations of ratios and proportions or expected results and trends considering the correct application of calculations and formulas in the documentation submitted for the Criterion in question.
- Inquiries to responsible persons regarding each of the Criteria to explain deviations from expected results and trends and to be able to correct or document them.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the selected performance indicators as of December 31, 2022, for it to be based on the Criteria.

Other Information

The notification to the Global Reporting Initiative (GRI) about the publication of the Report, following the guidelines of the GRI standard 1: Foundation, Reporting in reference with the GRI Standards, Notify GRI (the organization shall notify GRI of the use of the GRI Standards and the statement of use by sending an email to reportregistration@globalreporting.org), is the responsibility of the Company and we have been informed that it will be done within 5 business days following the issuance of this conclusion.

Mancera, S.C.

A Member Practice of Ernst & Young Global Limited

C.P.C. César Villegas V.
Partner
August 4, 2023; México City, México

volaris

Appendix A
Volaris's sustainability 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, vi, vii)
2-27	Compliance with regulations and laws	a.,d.
TR-AL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	1, 2, 3, 4, 5, 6
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 / SASB	Disclosure Title	Scope of the information	Complience level GRI-SASB (Clauses)	Reported information	Unit
2-7	Employees	All operations	a.	7,364	Total number of employees
				3,935	Total number of male employees
				3,429	Total number of female employees
				3,430	Total number of employees <30 years old
				3,470	Total number of employees 30-50 years old
				464	Total number of employees >50 years old
				7,043	Total number of employees in Mexico
				321	Total number of employees in Central and South America
302-1	Energy consumption within the organization	All operations	a., c., f.	45,301,066	GJ of fuel consumption
				651,207	kWh of total energy consumption
305-1	Direct (Scope 1) GHG emissions	All operations	a., d., e.	3,345,231	Tons of CO_2 equivalent
305-2	Energy indirect (Scope 2) GHG emissions	All operations	a., d., e.	283	Tons of CO_2 equivalent
306-3	Waste generated	Operations in Mexico	a., b.	57,167	Kg of hazardous waste generated
				14,700	Liters of hazardous waste generated
				70.9	Tons of total hazardous waste generated
				1.24	Tons of non-hazardous waste generated
412-2	Employee training on human rights policies or procedures	All operations	a, b	6,105[1]	Total number of hours dedicated to human rights training
				100[2]	Percentage of employees who have received information in this area

[1] 436 hours correspond to courses on "Diversity and Respect" and 5,669 to courses on "ECPAT"
[2] 100% represents the operational Ambassadors selected until November 30,2022.

volaris

GRI / IP / SASB	Disclosure Title	Scope of the information	Complience level GRI-SASB (Clauses)	Reported information	Unit
IP[3]	Suppliers evaluated	All operations	-	420	Total number of suppliers evaluated
				7.2%	Percentage of suppliers evaluated

[3] Controladora Vuela Compañía de Aviación's own indicator based on GRI.

Member Practice of Ernst & Young Global Limited

Notes About This Report

Unless otherwise explicitly stated in this report, the information reflected herein about Volaris corresponds to Fiscal year ending December 31, 2022. It includes, but is not limited to, information previously disclosed elsewhere (e.g., in our 20-F, 2021 Integrated Annual Report, or other public documents). This Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may be identified by words such as "may," "will," "expect," "aim," "intend," "anticipate," "believe," "estimate," "plan," "project," "could," "should," "hope," "likely," and "continue" and similar terms. Our actual performance or operational and financial results may vary materially from these statements or our projections due to a variety of reasons, including the Risk Factors identified in our Annual Report on Form 20-F and any subsequent quarterly reports on Form 6-K, as well as, with respect to our ESG targets, goals, and commitments outlined in this reporting or elsewhere, socio-demographic and economic trends; energy and fuel prices; our access to and the availability of energy sources; technological innovations; climate-related conditions and weather events; legislative and regulatory changes; our ability to gather and verify relevant information, including data regarding environmental impacts, and the challenges, assumptions and other methodological considerations associated with such information; our ability to successfully implement various initiatives throughout the company under expected time frames, costs, and complexity; the compliance of various third parties with our policies and procedures and with legal requirements; our dependency on certain third parties to perform; and other unforeseen events of conditions. These factors are not necessarily all of the important factors that could cause actual results to differ materially, and adversely, from those expressed in any of our forward-looking statements. Other factors could also have material adverse effects on our future results, including factors that are unknown to us. As such, readers should not place undue reliance on such forward-looking statements. We urge you to consider all of the risks, uncertainties, and factors identified above or discussed in such Reports carefully in evaluating the forward-looking statements in this report. There may be other factors that may affect matters discussed in forward-looking statements set forth in this Report, which factors may also cause actual results to differ materially from those discussed. We assume no obligation to publicly update any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these statements other than as required by applicable law.

Additionally, this Report contains ESG-related statements based on hypothetical scenarios and/or assumptions as well as estimates that are subject to a high level of inherent uncertainty, and these statements should not necessarily be viewed as being representative of current or actual risk or performance, or forecasts of expected risk or performance. In addition, historical, current, and forward-looking environmental and social-related statements may be based on standards and metrics for measuring progress, as well as standards for the preparation of any underlying data for those metrics, that are still developing and internal controls and processes that continue to evolve; while these are based on expectations and assumptions believed to be reasonable at the time of preparation, they should not be considered guarantees. Moreover, our disclosures based on any standards may change due to revisions in framework requirements, availability of information, changes in our business or applicable governmental policies, or other factors, some of which may be beyond our control. In addition, as standards are evolving, it is possible that certain of our approaches may, either currently or in future, be considered inconsistent with common or best practices, which may subject us to additional scrutiny, criticism, or stakeholder engagement or result in changes to our reporting or progression on targets. We may also rely on third-party information in certain of our disclosures, which involve certain important risks. For example, third-party information may change over time as methodologies and data availability and quality continue to evolve. These factors, as well as any inaccuracies in the third-party information we use, including in our estimates or assumptions, may cause results to differ materially, and adversely, from estimates and beliefs made by us or third parties, including regarding our ability to achieve our goals. While we are not aware of any materials flaws with the information we have used, except to the extent disclosed, we have not undertaken to independently verify this information or the assumptions or other methodological aspects underlying such information.

The events, scenarios, and efforts discussed in this report, including both forward-looking statements and other statements, may be significant; however, the inclusion of such statements is not an indication that these contents are necessarily material for the purposes of complying with or reporting pursuant to the U.S. federal securities laws and regulations or in other jurisdictions, even if we use the word "material" or "materiality" in this document in relation to those statements or in other materials that we may release from time to time in connection with the matters discussed herein. Moreover, given the uncertainties, estimates, and assumptions required to make some of the disclosures in this Report, and the timelines involved, materiality is inherently difficult to assess far in advance. In addition, given the inherent uncertainty of the estimates, assumptions, and timelines contained in this Report, we may not be able to anticipate in advance whether or the degree to which we will or will not be able to meet our plans, targets, or goals. Website and document references throughout this document are provided for convenience only, and their content is not incorporated by reference into this document unless expressly stated.

Contact Information

GRI 2-3

We welcome stakeholder questions, comments, and suggestions. Please reach out using the following methods:

Av. Antonio Dovalí Jaime No. 70, 13th floor.
Tower B, Zedec Santa Fe.
C.P. 01210, Mexico City

Corporate Affairs and Sustainability
volaris.corporativo@volaris.com

Investor Relations
ir@volaris.com

@viajaVolaris

@viajaVolaris

@viajaVolaris

Publication date: August 7th, 2023.
Update: August 18th, 2023.

volaris

www.ir.volaris.com