

MEXICO CITY, Oct. 28, 2013 /PRNewswire/ -- Controladora Vuela Compania de Aviacion, S.A.B. de C.V. ("Volaris" or the "Company"), (NYSE: VLRS, BMV: VOLAR), an ultra-low-cost airline based in Mexico, today announced its financial results for the third quarter of 2013. The following financial information, unless otherwise indicated, is presented in accordance with International Financial Reporting Standards (IFRS). Unless otherwise stated, all comparisons with prior periods refer to the third quarter of 2012.

Third Quarter 2013 Highlights

- Total operating revenue increased 11.1% year over year to a record Ps.3,722 million.
- Adjusted EBITDAR was Ps.1,016 million, an increase of 15.5% year over year. Adjusted EBITDAR margin reached 27.3%, the highest quarterly EBITDAR margin achieved by the Company in the last three years.
- Operating expenses per available seat mile (CASM) decreased to Ps.113.9 cents (US\$8.8 cents) a 4.7% decrease year over year. CASM excluding fuel, decreased 2.9% in the same period.
- Load factor increased 3.6 percentage points to 87.5%, the highest quarterly load factor in the Company's history.
- Net income excluding special items increased 38.7%, to Ps.319 million.

"We are very excited now that Volaris is a public company and we want to thank our investors for their support in the transaction," said Enrique Beltranena, Volaris' CEO. "In the quarter, Volaris delivered record operating revenue, maintained its growth trajectory and grew its market share while lowering fares and giving more options to our customers to choose what they want to pay for. Despite slower growth in the Mexican economy and the challenging competitive environment in Mexico during the quarter, these results show that our ultra-low-cost model is the right strategy for Mexico and all of our target markets."

Market Drivers

- Slower Mexico and US economic growth: The Mexican General Economic Activity Indicator (IGAE) increased an average of only 1.1% during the first eight months of 2013. Based on the weaker than expected economic activity, Mexico's Central Bank cut its full year 2013 GDP growth estimate to 1.4%, in the last survey of economic expectations published on October 1, 2013.
- Similarly, in its latest summary of economic projections released on September 18, 2013, the US Federal Reserve cut its full year 2013 GDP growth estimate for the US to 2%-2.3%.
- Weather conditions: In September 2013, as a result of adverse weather conditions and airport shutdowns in connection with hurricane "Ingrid" and tropical storm "Manuel", Volaris canceled 18 flights, delayed more than 145 flights, and re-accommodated more than

2,200 passengers who were unable to fly as scheduled. The storms impacted 13 states in Mexico, resulting in a decline in bookings for the period. Volaris worked in coordination with the federal, state, and local authorities to assist people who were stranded in Acapulco due to the storms, transporting more than 1,600 customers on 11 humanitarian aid flights free of charge on the Acapulco - Mexico City route, which it does not operate regularly.

- Exchange rate depreciation: The Mexican peso depreciated 3.6% quarter on quarter against the US dollar, as the exchange rate devalued from an average of Ps. 12.46 pesos per US dollar in the second quarter 2013 to Ps. 12.91 pesos per US dollar during the third quarter of 2013.
- Fuel costs decrease: The average economic fuel cost per gallon decreased 4.8% year over year in the third quarter 2013.
- Air traffic volume increase: Volaris accounted for 48% of the passenger volume growth in the first eight months of the year, among domestic carriers, according to the Mexican DGAC (*Direccion General de Aeronautica Civil*). The DGAC reported an overall passenger increase for the Mexican carriers of 9.5% for the same period.
- New routes and operations: During the third quarter 2013, Volaris launched six new domestic routes. Operations, measured in total departures, increased 15.6% year over year.

Record Operating Revenue□□□□□□

For the third quarter 2013, Volaris' total operating revenue was Ps.3,722 million, which represented an increase of 11.1% year over year compared to the third quarter 2012. The load factor was 87.5%, the highest quarterly load factor in the Company's history, and a 3.6% increase year over year driven by our low-fare strategy.

Volaris booked 2.6 million passengers in the third quarter 2013, 25.4% more than in the third quarter of 2012. This increase in passengers was a result of our ongoing strategy to stimulate demand by targeting passengers who travel by bus and by offering lower base fares, which were lowered 12.8% year over year.

As compared to the third quarter 2012, passenger revenue per available seat mile (RASM) was 6.2% lower and total operating revenue per available seat mile (TRASM) was 4.6% lower, resulting from our lower fare structure combined with an increase in the domestic competitive environment that put additional pressure on our base fares in certain key markets.

Volaris traffic, measured in terms of revenue passenger miles (RPMs), increased by 21.6% year over year in the third quarter 2013 with the incorporation of nine new aircraft from October 1, 2012 to September 30, 2013

During this period, our non-ticket revenue increased to Ps.503 million, a 24.8% increase as compared to third quarter 2012.

Continued Cost Discipline

The operating expenses per available seat mile (CASM) for the third quarter 2013 were Ps.113.9 cents, a 4.7% reduction compared to the third quarter of 2012, primarily driven by efficiency benefits and sustained cost control discipline. CASM excluding fuel also decreased 2.9% year over year.

Strong Balance Sheet and Liquidity

As of September 30, 2013, Volaris had Ps.2,974 million in unrestricted cash and cash equivalents, representing 23% of last twelve month total operating revenues. The Company recorded negative net debt (or a positive net cash position) of Ps.2,565 million and total equity reached 4,135 million.

During the third quarter 2013, Volaris incurred capital expenditures of Ps.163 million. The Company paid Ps.99 million in pre-delivery payments for future deliveries of aircraft net of refunds, and recorded additional purchases of rotatable spare parts, furniture and equipment totaling Ps.64 million. The Company also obtained an extension of its pre-delivery payments

facility for eight new aircraft with Santander and Bancomext for US\$71 million, which now covers aircraft deliveries through the first half of 2016.

Young and Fuel Efficient Fleet

As of September 30, 2013, reflecting our strategy to further reduce our unit cost, Volaris has continued to take deliveries of larger A320 aircraft, bringing our mix of A320/A319s to a 50/50 split. The Company's fleet was comprised of 44 aircraft (22 Airbus A320 and 22 Airbus A319), with an average age of 4.2 years. During the third quarter of 2013 Volaris received one new Airbus A320 aircraft equipped with sharklets.

On August 19, 2013, the Company selected Pratt & Whitney and International Aero Engines (IAE) to power its fleet of 30 A320neo and 14 A320ceo to be delivered between 2015 and 2020.

Other Current Highlights

In October, we successfully migrated to our new reservations system, called Navitaire, which will enable us to further develop our non-ticket revenues. We also took advantage of this platform migration to re-launch our new webpage and implement our new baggage policy.

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

Conference Call/Webcast Details

Volaris will conduct a conference call to discuss these results tomorrow, October 29th, 2013, at 11:00 a.m. ET

. A live audio webcast of the conference call will be available to the public on a listen-only basis at

<http://ir.volaris.com>

About Volaris

Volaris (NYSE: [VLRS](#) and BMV: VOLAR), is an ultra-low-cost carrier, or ULCC, based in Mexico

. Volaris utilizes its ULCC business model and efficient operations to offer low base fares and to stimulate demand while aiming to provide high quality customer service. Volaris targets passengers who are visiting friends and relatives, cost-conscious business people and leisure travelers in

Mexico

and to select destinations in

the United States

. Volaris' unbundled pricing strategy allows it to provide low base fares and enables its passengers to select and pay for a range of optional products and services. Volaris' mission is to offer its clients high quality customer service at an affordable price.

Since beginning operations in March 2006, Volaris has increased its routes from 5 to 88 and its fleet from 4 to 44 aircraft. Volaris offers more than 200 daily flight segments on routes that connect 33 cities in Mexico and 11 cities in the

United States

with the youngest aircraft fleet in

Mexico

. Among other recognitions, Volaris has received the ESR Award for Social Corporate Responsibility for three consecutive years. For more information, please visit:

www.volaris.com

Forward-looking Statements

Statements in this release contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this release, the words "expects," "estimates," "plans," "anticipates," "indicates," "believes," "forecast," "guidance," "outlook," "may," "will," "should," "seeks," "targets" and similar expressions are intended to identify forward-looking statements.

Similarly, statements that describe the Company's objectives, plans or goals, or actions the Company may take in the future, are forward-looking statements. Forward-looking statements include, without limitation, statements regarding the Company's intentions and expectations regarding the delivery schedule of aircraft on order, announced new service routes and customer savings programs. All forward-looking statements in this release are based upon information available to the Company on the date of this release. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. Forward-looking statements are subject to a number of factors that could cause the Company's actual results to differ materially from the Company's expectations, including the competitive environment in the airline industry; the Company's ability to keep costs low; changes in fuel costs; the impact of worldwide economic conditions on customer travel behavior; the Company's ability to generate non-ticket revenues; and government regulation. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings.

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Controladora Vuela Compania de Aviacion, S.A.B. de C.V. and Subsidiaries

Financial and Operating Indicators

Unaudited(In Mexican pesos, except otherwise indicated)

Three months ended September 30, 2013 (US Dollars)*

Three months ended September 30, 2013

Three months ended September 30, 2012

Var (%)

Total operating revenue (millions)

286

3,722

3,349

11.1%

Total operating expenses (millions)

257

3,348

3,014

11.1%

EBIT (millions)

29

374

335

11.5%

EBIT margin

10.0%

10.0%

10.0%

0.0 pp

Adjusted EBITDA (millions)

35

454

389

16.7%

Adjusted EBITDA margin

12.2%

12.2%

11.6%

0.6 pp

Adjusted EBITDAR (millions)

78

1,016

880

15.5%

Adjusted EBITDAR margin

27.3%

27.3%

26.3%

1.0 pp

Net income (millions)

20

254

230

10.3%

Net margin

6.8%

6.8%

6.9%

0.0 pp

Net income excluding special items (millions)**

24

319

230

38.7%

Net margin excluding special items**

8.6%

8.6%

6.9%

1.7 pp

Earnings per share:

Basic (cents)

2.3

30.2

29.1

3.8%

Diluted (cents)

2.3

29.4

29.1

1.0%

Earnings per share excluding special items:

Basic (cents)**

2.9

37.9

29.1

30.1%

Diluted (cents)**

2.8

36.9

29.1

26.7%

Weighted average shares outstanding:

Basic

-

840,686,376

727,595,544

15.5%

Diluted

-

863,256,287

727,595,544

18.6%

Available seat miles (ASMs) (millions)

-

2,939

2,523

16.5%

Revenue passenger miles (RPMs) (millions)

-

2,573

2,117

21.6%

Load factor

-

87.5%

83.9%

3.6 pp

Total operating revenue per ASM (TRASM) (cents)

9.7

126.6

132.7

(4.6%)

Passenger revenue per ASM (RASM) (cents)

8.4

109.5

116.8

(6.2%)

Average fare

96

1,253

1,437

(12.8%)

Non-ticket revenue per passenger

15

196

197

(0.5%)

Operating expenses per ASM (CASM) (cents)

8.8

113.9

119.5

(4.7%)

CASM ex fuel (cents)

5.1

66.3

68.2

(2.9%)

Booked passengers (thousands)

-

2,570

2,050

25.4%

Departures

-

18,619

16,110

15.6%

Block hours

-

49,172

43,223

13.8%

Fuel gallons consumed (millions)

-

35.2

31.0

13.7%

Average economic fuel cost per gallon

3.1

39.7

41.7

(4.8%)

Aircraft at end of period

-

44

37

18.9%

Average aircraft utilization (block hours)

-

12.9

13.1

(1.5%)

Average exchange rate

-

12.91

13.18

(2.0%)

*Peso amounts were converted to U.S. dollars at the rate of Ps.13.0119 for convenience purposes only

**Excludes debt prepayment penalty of Ps.65 million

Controladora Vuela Compania de Aviacion, S.A.B. de C.V. and Subsidiaries

Financial and Operating Indicators

Unaudited(In Mexican pesos, except otherwise indicated)

Nine months ended September 30, 2013 (US Dollars)*

Nine months ended September 30, 2013

Nine months ended September 30, 2012

Var□ (%)

Total operating revenue (millions)

754

9,819

8,466

16.0%

Total operating expenses (millions)

715

9,305

8,257

12.7%

EBIT (millions)

40

514

209

>100%

EBIT margin

5.2%

5.2%

2.5%

2.8 pp

Adjusted EBITDA (millions)

56

730

350

> 100%

Adjusted EBITDA margin

7.4%

7.4%

4.1%

3.3 pp

Adjusted EBITDAR (millions)

178

2,322

1,749

32.8%

Adjusted EBITDAR margin

23.7%

23.7%

20.7%

3.0 pp

Net income (millions)

28

362

74

>100%

Net margin

3.7%

3.7%

0.9%

2.8 pp

Net income excluding special items (millions)**

33

428

74

>100%

Net margin excluding special items**

4.4%

4.4%

0.9%

3.5 pp

Earnings per share:

Basic (cents)

3.4

44.8

11.8

>100%

Diluted (cents)

3.3

43.2

11.8

>100%

Earnings per share excluding special items:

Basic (cents)**

4.1

52.8

11.8

>100%

Diluted (cents)**

3.9

50.9

11.8

>100%

Weighted average shares outstanding:

Basic

-

815,953,698

727,595,544

12.1%

Diluted

-

847,041,525

727,595,544

16.4%

Written by Australian Business

Available seat miles (ASMs) (millions)

-

7,954

6,764

17.6%

Revenue passenger miles (RPMs) (millions)

-

6,674

5,664

17.8%

Load factor

-

83.9%

83.7%

0.2 pp

Total operating revenue per ASM (TRASM) (cents)

9.5

123.4

125.2

(1.4%)

Passenger revenue per ASM (RASM) (cents)

8.1

105.4

109.7

(3.9%)

Average fare

97

1,267

1,360

(6.8%)

Non-ticket revenue per passenger

17

217

192

12.6%

Operating expenses per ASM (CASM) (cents)

9.0

117.0

122.1

(4.2%)

CASM ex fuel (cents)

5.4

70.3

70.2

0.0%

Booked passengers (thousands)

-

6,620

5,456

21.3%

Departures

-

50,442

43,050

17.2%

Block hours

-

134,244

115,946

15.8%

Fuel gallons consumed (millions)

-

94.6

82.4

14.8%

Average economic fuel cost per gallon

3.0

39.3

42.5

(7.7%)

Aircraft at end of period

-

44

37

18.9%

Average aircraft utilization (block hours)

-

12.3

12.4

(0.8%)

Average exchange rate

-

12.68

13.24

(4.2%)

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**Excludes debt prepayment penalty of Ps.65 million

Controladora Vuela Compania de Aviacion, S.A.B. de C.V. and Subsidiaries

Consolidated Statement of Operations

Unaudited(In millions of Mexican pesos)

Three months ended September 30, 2013 (US Dollars)*

Three months ended September 30, 2013

Three months ended September 30, 2012

Var□ (%)

Operating revenues:

Passenger

247

Written by Australian Business

3,219

2,946

9.2%

Non-ticket

39

503

403

24.8%

286

3,722

3,349

11.1%

Other operating income

(1)

(7)

(15)

(54.2%)

Fuel

108

1,400

1,293

8.3%

Aircraft and engine rent expense

43

562

491

14.5%

Salaries and benefits

30

397

328

20.9%

Landing, take-off and navigation expenses

38

498

435

14.6%

Sales, marketing and distribution expenses

14

179

203

(11.7%)

Maintenance expenses

11

138

131

5.4%

Other operating expenses

8

100

94

6.6%

Depreciation and amortization

6

81

54

48.8%

Operating expenses

257

3,348

3,014

11.1%

Operating income

29

374

335

11.5%

Finance income

1

7

7

(1.8%)

Finance cost

(6)

(84)

(24)

>100%

Exchange gain (loss), net

2

26

(84)

NA

Comprehensive financing result

(3)

(51)

(102)

(50.0%)

Income before income tax

26

323

234

38.2%

Income tax (expense) benefit

(5)

(69)

(4)

>100%

Net income

20

254

230

10.3%

Attribution of net income (loss):

Equity holders of the parent

20

254

212

19.6%

Non-controlling interest

-

-

18

(100.0%)

Net income

20

254

230

10.3%

*Peso amounts were converted to U.S. dollars at the rate of Ps.13.0119 for convenience purposes only

Controladora Vuela Compania de Aviacion, S.A.B. de C.V. and Subsidiaries

Consolidated Statement of Operations

Unaudited(In millions of Mexican pesos)

Nine months ended September 30, 2013 (US Dollars)*

Nine months ended September 30, 2013

Nine months ended September 30, 2012

Var□ (%)

Operating revenues:

Passenger

644

8,385

7,417

13.0%

Non-ticket

110

1,434

1,049

36.7%

754

9,819

8,466

16.0%

Other operating income

(3)

(33)

(58)

(43.1%)

Fuel

286

3,716

3,507

6.0%

Aircraft and engine rent expense

122

1,592

1,399

13.8%

Salaries and benefits

88

1,144

937

22.0%

Landing, take-off and navigation expenses

109

1,417

1,184

19.6%

Sales, marketing and distribution expenses

40

525

553

(4.9%)

Maintenance expenses

33

430

344

24.8%

Other operating expenses

23

297

249

19.1%

Depreciation and amortization

17

216

141

52.9%

Operating expenses

715

9,305

8,257

12.7%

Operating income

39

514

209

>100%

Finance income

1

19

12

61.3%

Finance cost

(9)

(120)

(67)

79.1%

Exchange gain (loss), net

4

46

(79)

NA

Comprehensive financing result

(4)

(55)

(134)

(58.7%)

Income before income tax

35

459

75

>100%

Income tax (expense) benefit

(7)

(97)

(1)

>100%

Net income

28

362

74

>100%

Attribution of net income (loss):

Equity holders of the parent

28

366

86

>100%

Non-controlling interest

-

(3)

(12)

(72.6%)

Net income

28

362

74

>100%

*Peso amounts were converted to U.S. dollars at the rate of Ps.13.0119 for convenience purposes only

Controladora Vuela Compania de Aviacion, S.A.B. de C.V. and Subsidiaries

Consolidated Statement of Financial Position

(In millions of Mexican pesos)

September 30, 2013 Unaudited (US Dollars)*

September 30, 2013 Unaudited

December 31, 2012 Audited (Restated)

Assets

Cash and cash equivalents

229

2,974

822

Accounts receivable

53

686

387

Inventories

9

112

97

Prepaid expenses and other current assets

29

376

268

Financial instruments

-

2

2

Guarantee deposits

31

406

238

Total current assets

350

4,555

1,815

Other accounts receivable

-

-

-

Rotable spare parts, furniture and equipment, net

82

1,062

1,195

Intangible assets

5

69

60

Deferred income tax

21

274

320

Guarantee deposits

188

2,445

2,245

Other assets

4

47

54

Assets classified as held for sale

-

-

12

Total assets

650

8,452

5,702

Liabilities

Unearned transportation revenue

116

1,513

1,259

Accounts payable

36

463

524

Accrued liabilities

69

894

766

Taxes payable

52

682

560

Financial instruments

2

30

37

Financial debt

10

134

527

Other liabilities

6

78

49

Total short-term liabilities

292

3,794

3,722

Financial instruments

6

84

111

Financial debt

21

275

633

Other liabilities

11

142

147

Employee benefits

-

5

4

Deferred income taxes

1

17

11

Total liabilities

332

4,318

4,627

Equity

Capital stock

229

2,974

2,376

Treasury shares

(3)

(36)

(134)

Contributions for future capital increases

-

-

-

Legal reserve

3

38

38

Other capital reserves

-

1

-

Additional paid-in capital

139

1,809

(191)

Accumulated losses

(43)

(564)

(930)

Other accumulated comprehensive losses

(7)

(87)

(108)

Total equity attributable to equity holders of the parent

318

4,135

1,052

Non-controlling interest

-

-

22

Total equity

318

4,135

1,075

Total liabilities and equity

650

8,452

5,702

Total shares outstanding fully diluted

1,011,876,677

1,977,460**

*Peso amounts were converted to U.S. dollars at the rate of Ps.13.0119 for convenience purposes only

**Pre-split shares. A share split of 403 to 1 was done in June 2013 in connection to the IPO

Controladora Vuela Compania de Aviacion, S.A.B. de C.V. and Subsidiaries

Consolidated Statement of Cash Flows

Unaudited(In millions of Mexican pesos)

Nine months ended September 30, 2013 (US Dollars)*

Nine months ended September 30, 2013

Nine months ended September 30, 2012

Net cash flow provided by operating activities

33

434

331

Net cash flow used in investing activities

(2)

(24)

(254)

Net cash flow provided by financing activities

131

1,706

6

Increase in cash and cash equivalents

163

2,116

82

Net foreign exchange differences

3

35

(35)

Cash and cash equivalents at beginning of period

63

822

441

Cash and cash equivalents at end of period

229

2,974

488

*Peso amounts were converted to U.S. dollars at the rate of Ps.13.0119 for convenience purposes only

SOURCE Volaris

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