Avianca Holdings S.A.

Avianca Holdings Reports Third Quarter 2018 Adjusted Operating Income[1] of $86.3 Million

Bogota, Colombia, November 14, 2018 – Avianca Holdings S.A. (NYSE: AVH, BVC: PFAVH) today reported its financial results for the third quarter of 2018 (3Q 2018). All figures are expressed in millions of US dollars unless otherwise stated. The information within is presented in accordance with International Financial Reporting Standards (IFRS). The reconciliation between IFRS and non-IFRS financial information can be seen in the financial tables section of this report. Except when noted, all comparisons refer to third quarter 2017 (3Q 2017) numbers. Figures and operating metrics of Avianca Holdings S.A. ("Avianca Holdings" or "the Company") are presented on a consolidated basis.

Third Quarter 2018 Highlights

- On September 20, 2017, approximately 700 pilot members of the ACDAC Colombian pilots union made the unilateral decision to strike for a total of 51 days, thereby impacting Avianca's operations. The following results therefore reflect third quarter 2018 results on an adjusted basis.
- Adjusting for the pilot strike, 3Q 2018 results were primarily driven by a 3.2% increase in total operating revenues as the Company benefited from strong load factors and continued yield recovery. Cargo and Other revenues decreased 22.8% year-on-year, primarily due to the adoption of IFRS 15 accounting standard which went into effect in January 2018 as well as a reclassification of financial compensation received from Rolls Royce. The application of IFRS 15 results in a timing effect related to the recognition of revenues associated with Avianca's loyalty business where revenue is fully recognized only at the point of redemption, as was described within the Company's Q1 2018 Financial statements. The Company has used the modified retrospective method of transition under which contracts are assessed to determine if they are completed at start of the earliest period presented. Results for periods prior to January 1, 2018 have not been restated and are therefore not directly comparable to results of operations for subsequent periods. The increase in third quarter 2018 total operating revenues was offset by a 7.9% increase in operating expenses[1].
- Adjusted Net Income[1] excluding special items totaled $ 31.9 million, compared to $61.1 million in 3Q 2017. Adjusted net income margin[1] for 3Q 2018 therefore reached 2.6%; a 253-bps year-on-year decrease. Operating income (EBIT[1]) adjusted for the pilot strike reached $86.3 million, with a 7.0% operating margin[1]; a 402-bps year-on-year decrease. Further, operating revenues[1] reached $1.2 billion for the quarter; a 3.2% year-on-year increase.
- For the third quarter 2018, yields[1] reached 9.4 cents; a 2.5% increase when compared to the adjusted 3Q 2017 yields. This trend was supported by a 5.5% average fare increase, year-on-year, enabling the Company to partially offset increased fuel costs.
- Cost per available seat kilometer excluding fuel (CASK ex-fuel[1]) decreased 5.1% to 6.3 cents, in the 3Q 2018, compared to 6.6 cents in 3Q 2017. This was primarily driven by a 11.2% decrease in Maintenance and repairs expenses as well as a 10.6% reduction in Aircraft rental expenses. The latter was partially offset by higher effective jet fuel prices, which on average increased by 34.0% in the third quarter of 2018, as well as by a 32.2% increase in Air Traffic expense. 3Q 2018 CASK[1] therefore increased 1.1%, to 8.7 cents.
- EBITDAR[1] for the 3Q 2018 was $228.8 million, with a 18.6% EBITDAR margin[1].
- 3Q 2018 capacity, measured in Available Seat Kilometers (ASKs), increased by 6.7% year-on-year, despite the adverse effects of the pilot strike described above. This was primarily due to increased capacity deployed to Europe and from Avianca's Home Markets to North America during the third quarter 2018. Passenger traffic, measured in Revenue Passenger Kilometers (RPKs), increased by 6.8% in the third quarter 2018, reaching a strong consolidated load factor of 84.7% across the network.
- Avianca incorporated two brand new A320neo aircraft, while phasing out one A319 and one A320 between July and September 2018. Avianca also incorporated its thirteenth Boeing 787-8 into its fleet. Avianca Holdings S.A. and its subsidiaries therefore ended the quarter with a consolidated operating fleet of 190 aircraft.

1. When indicated the figures are adjusted by the following one-time items: ACDAC's operatives expenses; $-17,854,

AVIANCA HOLDINGS S.A.
NYSE: AVH BVC: PFAVH

Financial Highlights

(9 months ended September 30 th)

($millions)	9M-17	9M-18
Revenues	3,32Bn	3,6Bn
EBITDAR	682.6	604.2
EBIT	237.4	165.0
EBITDAR[1]	708.7	665.4
EBIT[1]	264.6	237.3
Net Income	67.3	-18.2
Net Income*[1]	113.3	74.1

*Excluding Fx and Derivative Charges

1Excluding items on footnote 1

(3 months ended September 30 th)

($millions)	2017	2018
Revenues	1,16Bn	1,23Bn
EBITDAR	255.0	212.9
EBIT	106.6	68.5
EBITDAR[1]	278.7	228.8
EBIT[1]	131.5	86.3
Net Income	36.1	14.1
Net Income*[1]	78.9	29.3

*Excluding Fx and Derivative Charges

1Excluding items on footnote 1

Profitability

(9 months ended September 30 th)

	9M-17	9M-18
EBITDAR%	20.5%	16.8%
EBIT%	7.1%	4.6%
EBITDAR%[1]	21.1%	18.5%
EBIT%[1]	7.9%	6.6%
Net Income%	2.0%	-0.5%
Net Income%*[1]	3.4%	2.1%

*Excluding Fx and Derivative Charges

1Excluding items on footnote 1

(3 months ended September 30 th)

	2017	2018
EBITDAR%	22.0%	17.3%
EBIT%	9.2%	5.6%
EBITDAR%[1]	23.4%	18.6%
EBIT%[1]	11.0%	7.0%
Net Income%	3.1%	1.1%
Net Income%*[1]	0.8%	-0.7%

*Excluding Fx and Derivative Charges

1Excluding items on footnote 1

Operational Highlights

(9 months ended September 30 th)

	9M-17	9M-18
Passengers	22,84M	22,64M
ASKs	37,19Bn	38,91Bn
RPKs	30,8Bn	32,5Bn
Load Factor	82.8%	83.5%
RASK	8.9	9.3
CASK	8.3	8.8

(3 months ended September 30 th)

	2017	2018
Passengers	7,62M	7,87M
ASKs	12,39Bn	13,22Bn
RPKs	10,48Bn	11,19Bn
Load Factor	84.6%	84.7%
RASK	9.4	9.3
CASK	8.5	8.8

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CEO Message

Dear Shareholders,

While increased fuel pricing and a challenging macroeconomic backdrop in some of the Latin American markets in which we operate created headwinds during the third quarter 2018, Avianca was nevertheless able to maintain strong passenger revenue trends- which increased by 13% during the quarter to deliver our fifth consecutive quarterly yield increase as well as adjusted EBIT margin of 7%.

These challenges, coupled with the currency weakness we saw in Argentina and Brazil, affected demand for leisure travel and connecting passengers as can be expected. However, with elections in Colombia, Mexico and Brazil now resolved, this should provide political stability and foster a positive business environment. As outlined at the beginning of the year, I'm also very pleased to let you know that by the end of October Avianca had recovered 100% of our operation post illegal pilot's strike, requiring no further wet leases and with resumed capacity deployment that today is in line with what we envision for Avianca's network moving forward.

Growth in terms of ASKs reached 6.7% during the quarter, while passenger traffic numbers, measured in RPKs, increased by 6.8% when compared to the same period in 2017, mainly driven by strong demand trends on our routes to North America and Europe. This quarter, service from our Bogotá hub to Europe registered record load factors of nearly 90%. Further, all operational effects on the Colombia domestic market have been mitigated as of the third quarter 2018 and, as a result, our domestic Load Factors have fully recovered to stand today at approximately 85%. We continue to leverage the operational efficiencies implemented after the illegal pilots' strike to optimize our network across the region.

Turning to our full year fleet plan, this quarter we incorporated one brand new 787-8 Dreamliner financed with the first JOLCO UKEF financing in Latin America. Today, Avianca operates thirteen 787-8 aircraft, ending the quarter with a total operating fleet of 190 aircraft.

This quarter Avianca also recorded its fifth consecutive quarterly yield[1] increase, achieving a 9.4 yield in the third quarter 2018; a 6% year on year increase. This yield increase, combined with a decrease in unitary cost measured in CASK[1] ex fuel of -5.1%, enabled Avianca to post a 7.0% adjusted EBIT[1] margin.

During 2018, our cargo strategy has been focused on strengthening yields to partially offset increased fuel prices. While volumes of transported tons have remained almost flat, we successfully increased total revenues by 6.4% year over year. Avianca Cargo has maintained its number one position within the Colombian market, with 38.5% of total market share, and with 11.4%, of the Miami to the world market, the fourth largest market share, during the third quarter of 2018.

Further, our LifeMiles loyalty program again achieved solid results, with a 17.4% year on year increase in third quarter gross billings. Its member base also grew by 14.5% to end the quarter with 8.6 million LifeMiles members. Finally, LifeMiles strengthened its reach and competitive position within Latin America, increasing its commercial partners by an impressive 28.9% year over year, closing the quarter with 433 commercial partners.

We were able to achieve some noteworthy corporate milestones during the quarter as well. In September we inaugurated our long-awaited domestic VIP lounge at Bogotá's El Dorado International Airport, which we opened shortly after consolidating all of our flights within El Dorado International Airport's two main terminals. Importantly, rather than separating Avianca's Silver, Gold and Diamond Elite LifeMiles members at our new lounge, we adopted the strategy of providing a first-class experience to all elite levels, in line with the premium product we strive to offer all Avianca passengers.

In September, Avianca was again included in the Dow Jones Sustainability Index (DJSI) for the second consecutive year. This is continued endorsement of our strong business practices focused on the economic, social and environmental benefits of passenger and cargo air transport, as well as further affirmation that our employees and our customers truly are the central focus of everything we do, and a critical part of our business strategy.

I'm also proud to let you know that in July, for the second consecutive year, we again were awarded the recognition of best airline in South America by the Skytrax industry organization as the top regional honoree of the 2018 World Airline Awards; ahead of all other airlines on the continent. We are proud to be the Best Airline in South America, and Avianca also won first place for having the Best Economy Class in South America, while the Star Alliance, which includes Avianca, outranked our competitors as the World's Best Airline Alliance.

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In 2019, Avianca will be in continuous operation for 100 years, a significant corporate milestone that makes Avianca the second oldest airline in the world. We are proud of our corporate legacy and view this centennial as an opportunity to establish a strong foundation for our next 100 years in operation. We're therefore making the right strategic decisions to ensure Avianca's long-term goal to deliver sustainable margin expansion, positive cash flow as well as leverage reduction. To begin, we are renegotiating our fleet backlog to significantly reduce the pace at which we incorporate new aircraft into our fleet. As of today, we aim to potentially defer up to 50 narrow-body aircraft while reassessing the status of an additional 50 aircraft. Further, all projects and contracts with strategic partners and lessors are currently under review to drive cost efficiencies with minimal near-term capital expenditure. We're also focused on optimizing our network, cancelling less-profitable routes and redeploying freed capacity. In addition, the Company also plans to divest its participation in most of its remaining non-core business units. Once completed, these strategic divestitures will streamline Avianca's operations while further strengthening our balance sheet. Complementing these actions, we are in the process of right-sizing Avianca's organizational structure to reduce drag and be more appropriately fit-for-purpose. This will result in up to a 15% reduction in labor costs.

Along these lines, Avianca has conducted a joint analysis with an internationally recognized independent consulting firm aimed at providing more transparency to the market. As such, moving forward Avianca will further elevate the level of its loyalty and cargo business unit disclosure and will begin reporting by segment starting as early as first quarter 2019.

On a final note, Gerardo Grajales, who has been with Avianca for 16 years, most recently leading the Company's strategic business units, will be leaving the Avianca in the first quarter of 2019. I'd like to take this opportunity to thank Gerardo for his commitment and achievements, which have transformed Avianca into a strong, well regarded and more profitable company- both domestically and internationally.

Looking towards the end of the year at our fourth quarter peak season, we reconfirm our full year EBIT[1] margin guidance of 6.0% - 8.0%. As this quarter again demonstrated, we remain focused on providing Avianca customers with a best in class travel experience while we look forward to leveraging our normalized operations to generate profitable growth for all our stakeholders, for the next 100 years and beyond.

Sincerely,

HRincón

Hernán Rincón
Chief Executive Officer

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Consolidated Financial and Operational Highlights[1]	3Q17	3Q18	∆ Vs. 3Q17
ASK's (mm)	12,389	13,220	6.7%
RPK's (mm)	10,483	11,194	6.8%
Total Passengers (in millions)	7,617	7,869	3.3%
Load Factor	84.6%	84.7%	6 bp
Departures	73,332	73,524	0.3%
Block Hours	143,196	146,032	2.0%
Stage length (km)	1,084	1,101	1.5%
Fuel Consumption Gallons (000's)	129,503	132,393	2.2%
Yield (cents)	8.9	9.4	6.0%
RASK (cents)	9.4	9.3	-0.6%
PRASK (cents)	7.5	8.0	6.0%
CASK (cents)	8.51	8.80	3.3%
CASK ex. Fuel (cents)	6.60	6.41	-2.9%
CASK (Adjusted) (cents)	8.56	8.66	1.1%
CASK ex. Fuel (Adjusted) (cents)	6.60	6.27	-5.1%
Foreign exchange (average) COP/US$	$ 2976.3	$ 2958.4	-0.6%
Foreign exchange (end of period) COP/US$	$ 2936.7	$ 2972.2	1.2%
WTI (average) per barrel	$ 48.2	$ 69.8	44.8%
Jet Fuel Crack (average) per barrel	$ 18.7	$ 19.9	6.8%
US Gulf Coast (Jet Fuel average) per barrel	$ 66.9	$ 89.7	34.1%
Fuel price per Gallon (including hedge)	$ 1.83	$ 2.39	30.5%
Operating Revenues ($M)	$ 1161.0	$ 1231.2	6.1%
EBITDAR ($M)	$ 255.0	$ 212.9	-16.5%
EBITDAR Margin	*22.0%*	*17.3%*	*-467 bp*
EBITDA ($M)	$ 184.5	$ 150.0	-18.7%
EBITDA Margin	*15.9%*	*12.2%*	*-371 bp*
Operating Income ($M)	$ 106.6	$ 68.5	-35.8%
Operating Margin ($M)	*9.2%*	*5.6%*	*-362 bp*
Net Income ($M)	$ 36.1	$ 14.1	-61.1%
Net Income Margin	*3.1%*	*1.1%*	*-197 bp*
EBITDAR (Adjusted) ($M)	$ 278.6	$ 228.8	-17.9%
EBITDAR Margin (Adjusted)	*23.4%*	*18.6%*	*-478 bp*
EBITDA (Adjusted) ($M)	$ 209.4	$ 167.8	-19.9%
EBITDA Margin(Adjusted)	*17.6%*	*13.6%*	*-393 bp*
Operating Income (Adjusted) ($M)	$ 131.5	$ 86.3	-34.4%
Operating Margin ($M) (Adjusted)	*11.0%*	*7.0%*	*-402 bp*
Adjusted Net Income ($M)	$ 61.1	$ 31.9	-47.8%
Net Income Margin (Adjusted)	*5.1%*	*2.6%*	*-253 bp*

(Adjusted: Excluding non-cash Fx charges, gain or loss on derivative instruments and special items associated to one-time expenses described in footnote (1))

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Management Comments on 3Q 2018 Results

Avianca Holdings reached an operating income (EBIT[1]) of $86.3 million, with a 7.0% operating income (EBIT[1]) margin. These results were primarily driven by an 6.1% increase in total operating revenues as the Company benefited from strong load factors as well as continued yield recovery during the third quarter 2018. Passenger revenues therefore increased by 13.1%, while Non-Passenger Revenues decreased 22.8%, primarily due to a reclassification of financial compensation received from Rolls Royce as well as the effect that the implementation of IFRS 15 has on the timing of the revenue recognition of our LifeMiles loyalty company. The overall positive revenue trend was offset by an increase in operational expenses, primarily driven by higher jet fuel costs and a 32.2% increase in Air Traffic expense resulting from an increase in passenger claims, as well as increase in Airport fees primarily at the Bogotá El Dorado Airport.

Total operating revenues amounted to approximately $1.2 billion during 3Q 2018. This represents a 6.1% year-on-year increase; the strongest third quarter revenue since the Company's 2013 IPO on the NYSE, mainly due to a 13.1% increase in passenger revenues. In addition to strong load factors, Avianca also benefited from a 5.5% increase in average fare this quarter, enabling the Company to partially pass through increased fuel costs. Yields therefore increased for the fifth consecutive quarter, reaching 9.4 cents; a 6.0% year over year increase. Moreover, Cargo revenues increased by 6.4%, primarily driven by an increase in price per transported ton. In addition, LifeMiles increased its gross billings by 17.4% year over year, reflecting continued positive sequential performance by Avianca's business units. The positive effects were offset by the reclassification of financial compensation received from Rolls Royce as a cost reduction in Flight Operations, instead of an increase in other revenue, as well as by the adoption of IFRS 15 accounting standard, which has a timing effect on the recognition of loyalty business revenues. Therefore, cargo and other revenues decreased by 22.8% year-on-year. Cargo and other revenues[1] represented 14.4% of total revenues in the third quarter 2018.

In addition to the positive passenger revenue trends in the third quarter, LifeMiles expanded its membership by 14.5% year on year, ending this quarter with approximately 8.6 million members. The retail partnership program also continued to expand, reaching 433 partners in the third quarter 2018; a 28.9% year-on-year increase. Finally, LifeMiles' active co-branded cards ended the quarter with more than 671,000 cards; a 7.1% year-on-year increase.

Avianca transported almost 7.9 million passengers in the third quarter of 2018; a 3.3% year-on-year increase. To date, Avianca recovered 100% of its pre-strike operation in both the international and domestic markets. As such, traffic figures (RPKs) continued to increase above capacity (ASKs), resulting in a consolidated load factor of 84.7%, representing continued strong sequential performance and the highest third quarter load factor on record since the Company's merger with TACA. Specifically, routes to North America reached average consolidated load factors of 86.0%, while domestic Colombia routes reached a strong 85.1% load factor during the third quarter 2018.

3Q 2018 operating expenses[1] were $1.16 billion; a 7.9% year-on-year increase. This was primarily driven by a 33.4% increase in Fuel Expenses associated with increased jet fuel prices, as the Company's effective jet fuel prices increased by 34.0%, from an average of US$1.83 in the third quarter 2017 to US$2.39 per gallon in the third quarter 2018. Further, Air Traffic expenses increased 32.2% in the third quarter 2018, due to an increase in passenger claims as well as an increase in Airport fees principally at the Bogotá El Dorado Airport. Salaries Wages and Benefits expenses increased 9.1% in the third quarter 2018, primarily driven by an increase in administrative and managerial personnel headcount as well as inflation in Colombia. These results were partially offset by an 14.4% decrease in Maintenance and Repair expenses for the third quarter 2018, mainly due to changes in the provision for engine returns as well as by a reduction in fuselage repair costs.

As part of the Company's ongoing fuel hedging strategy, a total of 110.4 million gallons of fuel were hedged at the end of the third quarter 2018, of which 53.9 million gallons correspond to approximately 43.4% of the total expected volume to be consumed during 2018. Coverage levels were set at approximately $2.26 per gallon.

In accordance with the Company's fleet plan, Avianca incorporated two brand new A320neo aircraft, while phasing out one A319 and one A320 between July and September 2018. Avianca also incorporated a thirteenth Boeing 787-8 into its fleet. Avianca Holdings S.A. and its subsidiaries therefore ended the quarter with a consolidated operating fleet of 190 aircraft.

The Company recorded $44.6 million in other non-operating expenses for the 3Q 2018, compared to a non-operating expense of $64.3 million for the same quarter of 2017. Interest expenses increased by $1.6 million due to an increase in the number of aircraft under financial lease contracts as well as to an increase in corporate debt. The Company also recorded a $1.5 million loss related to the non-cash foreign exchange translation adjustments, as compared to a $13.6 million loss for the same period of 2017. This effect is primarily due to foreign exchange translation adjustments

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comprised of the net non-cash gain (or loss) from monetary assets and liabilities denominated in Colombian Pesos and Argentinian Pesos subject to the USD exchange rate.

The Company ended the quarter with cash and cash equivalents and available-for-sale securities, in the amount of $403.5 million. Including short-term certificates and bank deposits, restricted cash and cash equivalents and available-for-sale securities, (other current assets) were $422.8 million, equivalent to approximately 9.0% of revenues for the last twelve months.

The Company's leverage position (Net Adjusted debt to EBITDAR) amounted to 6.6x as of September 30, 2018. It's important to note that this increase in leverage is a reflection of the impact of the illegal pilots strike on Avianca Holdings LTM profitability. Avianca therefore expects its leverage metrics to improve going forward, in accordance with the full recovery of 100% of the company's post strike operation, which was achieved during the third quarter 2018. The Company's total long-term debt amounted to $3.46 billion, while total liabilities were $6.27 billion as of September 30, 2018.

Full Year 2018 – Outlook

While Avianca has successfully overcome the adverse impacts of the pilot strike on operations over the last 12-month period, the Company continues to experience pressure from increased fuel costs as well as macroeconomic challenges in certain regions in which Avianca operates. The Company is addressing these challenges through its strategic decision related to the current aircraft order back log, its corporate structure and future CAPEX needs in order to establish a strong foundation to deliver future growth and long-term margin expansion. Avianca therefore reaffirms it 2018 full year guidance as follows:

Outlook Summary	Full Year 2018
Total Passenger Increase	4.0% – 6.0%
Capacity (ASK) Increase	8.0% – 10.0%
Load Factor	81.0% – 83.0%
EBIT Margin	6.0% – 8.0%

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Analysis by ASKs (in U.S. cents)

	3Q 2017	3Q 2018	Var%
Operating revenue:			
Passenger	7.52	7.97	6.0%
Cargo and other	1.85	1.34	-27.6%
Total Operating Revenues	**9.37**	**9.31**	**-0.6%**
Operating expenses:			
Flight Operations	0.13	0.06	-56.3%
Aircraft fuel	1.91	2.39	25.0%
Ground Operations	0.91	0.89	-2.1%
Aircraft rentals	0.57	0.48	-16.2%
Passenger services	0.35	0.36	3.6%
Maintenance and repairs	0.66	0.53	-19.7%
Air traffic	0.44	0.54	23.9%
Sales and marketing	1.08	1.02	-5.7%
General, administrative, and other	0.35	0.39	12.4%
Salaries, wages and benefits	1.49	1.53	2.3%
Depreciation and amortization	0.63	0.62	-1.9%
Total Operating Expense	**8.51**	**8.80**	**3.3%**
Operating Income	**0.86**	**0.52**	**-39.8%**
Total CASK	8.51	8.80	3.3%
CASK ex. Fuel	6.60	6.41	-2.9%
Total Cask (Adjusted)	8.56	8.66	1.2%
CASK ex. Fuel (Adjusted)	6.65	6.27	-5.6%
Yield	**8.89**	**9.42**	**6.0%**

Non-IFRS Financial Measure Reconciliation

In USD Millions	**3Q17**	**3Q18**	**∆ Vs. Q17**
Net Income as Reported	$ 36.1	$ 14.1	-61.1%
Special items (adjustments):			
(+) Aerogal's Resserve Adjust	$ 6.5	$ 0.0	
(+) Pilots Union Strike	$ 17.1	$ 15.4	
(+) Engines Incidents B787	$ 1.4	$ 2.4	
(-) Derivatives Instruments	-$ 4.2	$ 4.1	
(-) Foreign Exchange Gain (loss)	-$ 13.6	-$ 1.6	
Net Income Adjusted	**78.9**	**29.3**	**-62.8%**

Reconciliation of Operating Cost per ASK excluding special items

in US$ cents	**3Q17**	**3Q18**	**∆ Vs. 3Q17**
Total CASK as reported	8.5	8.8	3.5%
Aircraft Fuel	1.9	2.4	26.3%
Total CASK excluding Fuel as reported	6.6	6.4	-3.0%
(+) Extraordinary Projects	-	-	
(+) Pilots Union Strike	-	-0.1	
(+) Engines Incidents B787	-	-0.0	
Total CASK excluding Fuel and special items	6.6	6.3	-5.1%

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Interim Condensed Consolidated Statement of Comprehensive Income for the Three-month period ended September 30, 2017 and 2018 (In USD thousands)

	2017 (Audited)	2018 (Unaudited)
Operating revenue:		
Passenger	$ 931,648	$ 1,054,129
Cargo and other	229,349	177,112
Total operating revenue	**1,160,997**	**1,231,241**
Operating expenses:		
Flight Operations	15,883	7,412
Aircraft fuel	236,837	316,012
Ground operations	112,667	117,654
Aircraft rentals	70,447	62,960
Passenger services	43,012	47,541
Maintenance and repairs	81,622	69,898
Air traffic	54,472	72,016
Sales and marketing	133,782	134,553
General, administrative, and other	42,992	51,547
Salaries, wages and benefits	184,775	201,671
Depreciation, amortization	77,901	81,510
Total Operating expenses	**1,054,390**	**1,162,776**
Operating Profit	**106,607**	**68,466**
Other non-operating income (expense):		
Interest expense	-47,422	-49,768
Interest income	931	2,557
Derivative instruments	-4,230	4,159
Foreign Exchange	-13,562	-1,595
Profit before income tax	**42,324**	**23,819**
Income tax expense- current	0	0
Income tax expense- deferred	-6,187	-9,769
Total income tax expense	0	0
Net profit for the period	**$ 36,137**	**$ 14,050**

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Interim Condensed Consolidated Statement of Financial Position (in USD thousands)

	As of December 31, 2017	As of September 30, 2018
	(Audited)	(Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$508,982	$403,519
Restricted cash	5,465	8,163
Accounts receivable, net	340,376	498,199
Accounts receivable from related parties	17,204	11,355
Expendable spare parts and supplies, net	97,248	94,643
Prepaid expenses	99,757	109,109
Deposits and other assets	201,984	154,424
Total current assets	**$1,271,016**	**$1,279,412**
Non-current assets:		
Available for sale securities	55	—
Deposits and other assets	116,345	133,586
Accounts receivable, net	140,416	72,846
Intangibles	426,579	441,452
Deferred tax assets	25,969	24,878
Property and equipment, net	4,881,016	5,361,944
Total non-current assets	5,590,380	6,034,706
Total assets	**$6,861,396**	**$7,314,118**
Liabilities and equity		
Current liabilities:		
Loans and current portion of long-term debt	572,072	668,787
Accounts payable	526,964	634,412
Accounts payable to related parties	7,187	5,090
Accrued expenses	186,657	192,882
Provisions for legal claims	11,720	9,306
Provisions for return conditions	19,093	8,929
Employee benefits	38,706	45,190
Air traffic liability	454,018	466,017
Frequent flyer deferred revenue	85,207	188,217
Other liabilities	9,415	5,497
Total current liabilities	**$1,911,039**	**$2,224,327**

1. When indicated the figures are adjusted by the following one-time items: ACDAC's operatives expenses; $-17,854,

Non-current liabilities:		
Long-term debt	3,180,041	3,464,324
Accounts payable	5,084	7,308
Provisions for return conditions	144,099	132,035
Employee benefits	135,640	121,571
Deferred tax liabilities	25,814	19,170
Air traffic liability	104,786	226,937
Other liabilities	15,193	69,590
Total non-current liabilities	3,610,657	4,040,935
Total liabilities	**$5,521,696**	**$6,265,262**
Equity:		
Common stock	82,600	82,600
Preferred stock	42,023	42,023
Additional paid-in capital	234,567	234,567
Additional paid-in capital on preferred stock	469,273	469,273
Retained earnings	528,805	328,616
Revaluation	58,382	58,382
Total equity attributable to AVH	1,415,650	1,215,461
Noncontrolling interest	(75,950)	(166,605)
Total equity	1,339,700	1,048,856
Total liabilities and equity	**$ 6,861,396**	**$7,314,118**

1. When indicated the figures are adjusted by the following one-time items: ACDAC’s operatives expenses; $ -17,854

Glossary of Operating Performance Terms

This report contains terms relating to operating performance that are commonly used in the airline industry and are defined as follows:

A

ASK: Available seat kilometers represents aircraft seating capacity multiplied by the number of kilometers the seats are flown.

ATK: Available ton kilometers represents cargo ton capacity multiplied by the number of kilometers the cargo is flown.

B

Block Hours: Refers to the elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.

C

CASK: Cost per available seat kilometer represents operating expenses divided by available seat kilometers (ASKs).

CASK ex-fuel: Represents operating expenses other than fuel divided by available seat kilometers (ASKs).

Cargo Discount: The cargo discount is the incremental revenue under Cargo and Other Revenue, which recorded the difference between the selling price charged by third party agencies to final customers and the price Avianca Cargo charged third party agencies. The cargo discount was then subsequently discounted as an incremental expense under Sales and Marketing having no impact on nominal profitability. Commencing third quarter 2016 the company no longer records cargo discount.

Code Share Agreement: refers to our code share agreements with other airlines with whom we have business arrangements to share the same flight. A seat can be purchased on one airline but is actually operated by a cooperating airline under a different flight number or code. The term “code” refers to the identifier used in flight schedules, generally the two-character IATA airline designator code and flight number. Code share alliances allow greater access to cities through a given airline’s network without having to offer extra flights, and makes connections simpler by allowing single bookings across multiple planes.

L

Load Factor: Represents the percentage of aircraft seating capacity that is actually utilized and is calculated by dividing revenue passenger kilometers by available seat kilometers (ASKs).

R

RASK: Operating revenue per available seat kilometer represents operating revenue divided by available seat kilometers.

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Revenue Passenger: Represents the total number of paying passengers (which do not include passengers redeeming LifeMiles, frequent flyer miles or other travel awards) flown on all flight segments (with each connecting segment being considered a separate flight segment).

RPK: Revenue passenger kilometers represent the number of kilometers flown by revenue passengers.

RTK: Revenue ton kilometers represents the total cargo tonnage uplifted multiplied by the number of kilometers the cargo is flown.

T

Technical Dispatch Reliability: Represents the percentage of scheduled flights that are not delayed at departure more than 15 minutes or cancelled, in each case due to technical problems.

Y

Yield: Represents the average amount one passenger pays to fly one kilometer, or passenger revenue divided by revenue passenger kilometers (RPKs).

1. When indicated the figures are adjusted by the following one-time items: ACDAC's operatives expenses; $ -17,854