Avianca Holdings Reports First Quarter 2019 Operating Income of $18.5 Million

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

Bogota, Colombia, May 15, 2019 – Avianca Holdings S.A. (NYSE: AVH, BVC: PFAVH) today reported its financial results for the first quarter of 2019 (1Q 2019). 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 first quarter 2018 (1Q 2018) numbers. Figures and operating metrics of Avianca Holdings S.A. ("Avianca Holdings" or "the Company") are presented on a consolidated basis.

First Quarter 2019 Highlights

- Avianca Holdings SA adopted IFRS 16 on January 1, 2019. The new accounting standard requires the accounting of operating leases as assets and liabilities within financial statements, for all leases exceeding 12 months unless the underlying asset is of low value. As such the lessee recognizes the right of use of the underlying asset (and debt) at the present value of the outstanding lease payments. Therefore, the Aircraft rentals line item has been eliminated from 2019 onwards.
- 1Q 2019 results were primarily driven by a 1.5% decrease in total operating revenues, as passenger revenues decreased by 0.1%, mainly driven by average fare declines in Central, North and South America as well as an 8.4% decrease in Cargo and Other revenues due to the termination of the commercial agreement with Etihad. In addition, first quarter 2019 total operating expenses increased by 3.6%.
- Net Income totaled $ -67.9 million, compared to $ 3.5 million in 1Q 2018. Net income margin for 1Q 2019 reached -5.9%. Operating income (EBIT) reached $18.5 million, with a 1.6% operating margin. Further, operating revenues reached $1.2 billion for the quarter; a 1.5% year-on-year decrease.
- For the first quarter 2019, yields reached 8.6 cents; a 6.2% year on year decrease. This decline was driven by an 4.2% average fare decrease, due to macroeconomic weaknesses in Latin American economies.
- Cost per available seat kilometer excluding fuel (CASK ex-fuel) decreased 6.3%, to 6.0 cents in the 1Q 2019, compared to 6.4 cents in 1Q 2018. This was primarily driven by a 26.7% decrease in Flight Operations expenses as well as a 4.9% reduction in Salaries wages and benefits expenses. The latter was partially offset by increased jet fuel consumption, which on average increased by 7.7% in the first quarter of 2019, as well as by an 49.0% increase in Fees and other expenses. 1Q 2019 CASK therefore decreased 4.5%, to 8.2 cents.
- EBITDA for the 1Q 2019 was $169.7 million, with a 14.7% EBITDA margin.
- 1Q 2019 capacity, measured in Available Seat Kilometers (ASKs), increased by 8.5% year-on-year, due to the base effect the pilot strike had last year's operations. Passenger traffic, measured in Revenue Passenger Kilometers (RPKs), increased by 6.5% in the first quarter 2019, reaching a consolidated load factor of 82.1% across the network.
- Avianca continues to implement its Transformation Plan to shift from a growth to a profitability and cash generation-focused business model. As such, Avianca reduced services offered within Peru's domestic market by its local subsidiary Avianca Peru S.A. and eliminated non performing routes operated out of Bogota's El Dorado Airport. Further, Avianca reached an agreement with Airbus to cancel the delivery of a total of 17 A320 Aircraft and postpone delivery of an additional 35 Airbus A320 Aircraft.

Financial Highlights

(3 months ended March 31 st)

($millions)	2018	2019
Revenues	1.17Bn	1.15Bn
EBITDAR	227.2	169.7
EBIT	75.8	18.5
EBITDAR[1]	249.6	169.7
EBIT[1]	101.2	18.5
Net Income	3.5	-67.9
Net Income*[1]	44.6	-56.7

*Excluding Fx and Derivative Charges

1Excluding items on footnote 1

Profitability

(3 months ended March 31 st)

	2018	2019
EBITDAR%	19.4%	14.7%
EBIT%	6.5%	1.6%
EBITDAR%[1]	21.4%	14.7%
EBIT%[1]	8.7%	1.6%
Net Income%[1]	2.5%	-5.9%
Net Income%*[1]	3.8%	-4.9%

*Excluding Fx and Derivative Charges

1Excluding items on footnote 1

Operational Highlights

(3 months ended March 31 st)

	2018	2019
Passengers	7.42M	7.74M
ASKs	12.73Bn	13.81Bn
RPKs	10.65Bn	11.34Bn
Load Factor	83.6%	82.1%
RASK	9.2	8.3
CASK	8.6	8.2

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CEO Message

Dear Shareholders,

It is my honor to address you today as Avianca's Interim CEO, which came into effect on May 1, 2019 after Mr. Hernán Rincón retired from the Company after three years serving as our Chief Executive Officer, leading our Company's transformation process and establishing a solid foundation for our Company's long-term strategic and organizational development program. We would again like to express our gratitude to Mr. Rincón.

I have been appointed Interim CEO by Avianca's Board of Directors for this transition period, while we finalize the appointment of our new CEO. I look forward to manning the helm of Colombia's regional flagship carrier until our Board-mandated search for our next CEO has been completed. This process requires three strong candidates to be identified through a thorough and comprehensive search that is currently being conducted by an independent executive search agency, as per Avianca Holdings bylaws.

Turning to our first quarter financial performance, we continued to successfully implement the strategic plan which we announced at the beginning of this year and will continue deployment throughout the year, based on our Transformation Plan. Avianca Holdings had a difficult start of the year. The unfortunate U.S. dollar relation between fuel prices and regional currencies pressured our results during the quarter, combined with other obstacles which created a very challenging environment. However, we successfully advanced important strategic objectives related to our Transformation Plan on several different fronts. These are initial indications of our success in stabilizing our business, as we pivot from a growth-driven strategy to now focus on our core business units, namely our (i) Passenger, (ii) Loyalty and (iii) Cargo operations, with a strong emphasis on profitability and strengthened cash generation.

As part of the first pillar of our Transformation Plan, we successfully re-negotiated in March our 128 A320neo purchase order with Airbus. We successfully agreed to drop 17 Airbus A320neo from the original order of 128 A320neo planes, and to postpone deliveries between 2019-2022 of another 35 aircraft of the same type, to ensure we maintain our financial stability over the next three years, which will also benefit from the important efficiencies we have been able to capture through our fleet management strategy and throughout our operations across the network. With this renegotiation, we have reduced Avianca's financial commitments by more than $2.6 billion dollars and we preserved a cash position of $350 million for the 2020-2022 period. While we are confident that Avianca will continue to grow, the rhythm of this growth and of the expansion of our fleet has been reduced considerably since implementing our strategic plan in 2018.

The Airbus renegotiation is only the first step of adjusting our fleet structure, which includes the sale and phasing-out of the aging Embraer E190 jets within the fleet and the transfer of our ATR fleet to our new *Regional Express Americas* subsidiary. Along these lines, I'm pleased to let you know that *Regional Express Americas* formally began operation in the first quarter 2019, effectively strengthening Avianca's connectivity in Colombia.

Turning to our progress related to network repositioning, our focus on improved profitability resulted in several network changes, including cutting our Peruvian domestic network to a single route between Lima and Cusco (with 35 weekly frequencies) and maintaining our Lima Hub for international destinations. We have turned our attention to reassessing other routes with an eye towards profitability, including suspending service to Boston and Chicago from Bogota starting May 1, 2019, and ending flights from Cartagena to both Pereira and New York John F. Kennedy on the same day, we also canceled Bogota-Montevideo and Lima-Mendoza in March 1, 2019. While we have suspended a total of 16 routes, we will be adding capacity to several of Avianca's more profitable routes and have increased capacity on routes from Bogota to Medellin, Cali, Santiago de Chile and a seasonal flight to Barcelona.

In November of last year, we announced plans to sell off Avianca's interest in several non-core shareholdings and raise capital, which is the third pillar in our Transformation Plan. The sale of these non-core assets progressed well in 2018, with positive discussions with our respective regional partners. In the first quarter 2019, we continued to see success in divesting those non-core assets earmarked for sale, and recently announced that we had divested Avianca's 50% stake in our Avianca-CAE Flight Training joint venture. We continue to strengthen Avianca's balance sheet and remain focused on improving our overall profitability as we divest other assets no longer relevant to our core strategy.

As these updates reflect, we have made significant progress in line with the key pillars of our Transformation Strategy during the quarter. However, looking to the year ahead, we expect continued macro headwinds, increased fuel cost, and declining yields. Nevertheless, we also expect to continue significantly decreasing our CASK-ex fuel, in line with our ability to capture additional efficiencies at the operations level, as well as incremental *On-Time-Performance* (OTP), as has been reflected in our first quarter results, with strong operational metrics. 2019 will therefore be an important transition year for our Company, with continued success implementing our Transformation Strategy and a focus on enhanced profitability.

Based on the external headwinds, we will maintain our operating projections at a conservative growth rate of 0% -2% for capacity, measured in ASK, and Passengers, while maintaining our load factors between 81%-83%. However, we are adjusting our EBIT margin guidance for 2019 to a range between 5.5% and 7.5%.

Our clients continue to be the focal point of our strategy. These achievements have been acknowledged during the first quarter, as we were recently recognized as the best regional airline in South America by the 2019 APEX Passenger Choice Awards, as well as for the best in-flight meals. We were also recognized by Trip Advisor as the most comfortable airline in the region, due to our outstanding on-board service and overall product offering.

Finally, on May 13, 2019 we were disappointed to learn that S&P Global Ratings lowered its issuer credit rating on Avianca to 'CCC+' from 'B' and its issue-level ratings to 'CCC' from 'B-', due to the fact that Avianca's plan to refinance its $550 million senior unsecured notes due May 10, 2020 has taken longer than expected, and S&P believes our Company will face an increased refinancing risk. This delay is also related to our emphatic decision not to go to the market for financing to clear up contractual proceedings with one of our largest shareholders, BRW.

In closing, as Colombia's flag carrier and the preferred airline in the region, we have provided our customers with best in class service for more than 100 years. We have also demonstrated our ability to evolve and adapt to ever changing environments and demands; successfully weathering the challenges that the industry and macro environment can often put forth. 2019 will also see Avianca advancing on the execution of its strategic commercial Alliance with United Airlines and Copa. Further, this year, we also plan to continue developing projects and strategic alliances which will deepen our position in the market. And we remain focused on improving client interaction through our website, further personalizing the customer experience while we offer "world-class service" for our passengers. In summary, we are confident that continued successful execution of our Transformation Strategy's pillars will drive future profitability and liquidity, ultimately to emerge as a stronger company.

Finally, I would like to thank all our employees for their hard work, dedication and attention to our customers. We have improved our on-time performance tremendously in this first quarter of the year as part of our ongoing Transformation Plan. To all of my co-workers, my sincere appreciation.

Sincerely,

Renato Covelo
Interim Chief Executive Officer

Consolidated Financial and Operational Highlights[1]	1Q18	1Q19	∆ Vs. 1Q18
ASK's (mm)	12,734	13,811	8.5%
RPK's (mm)	10,647	11,341	6.5%
Total Passengers (in millions)	7,421	7,737	4.3%
Load Factor	83.6%	82.1%	-150 bp
Departures	72,451	76,105	5.0%
Block Hours	142,817	152,938	7.1%
Stage length (km)	1,101	1,149	4.4%
Fuel Consumption Gallons (000's)	128,103	137,928	7.7%
Yield (cents)	9.1	8.6	-6.2%
RASK (cents)	9.2	8.3	-9.2%
PRASK (cents)	7.6	7.0	-7.9%
CASK (cents)	8.58	8.20	-4.5%
CASK ex. Fuel (cents)	6.40	6.00	-6.3%
CASK (Adjusted) (cents)	8.38	8.20	-2.2%
CASK ex. Fuel (Adjusted) (cents)	6.20	6.00	-3.3%
Foreign exchange (average) COP/US$	$ 2858.9	$ 3165.5	10.7%
Foreign exchange (end of period) COP/US$	$ 2780.5	$ 3249.8	16.9%
WTI (average) per barrel	$ 62.9	$ 54.8	-12.8%
Jet Fuel Crack (average) per barrel	$ 16.3	$ 23.6	44.4%
US Gulf Coast (Jet Fuel average) per barrel	$ 79.2	$ 78.4	-1.0%
Fuel price per Gallon (including hedge)	$ 2.17	$ 2.20	1.6%
Operating Revenues ($M)	$ 1168.4	$ 1150.8	-1.5%
EBITDAR ($M)	$ 227.2	$ 169.7	-25.3%
EBITDAR Margin	*19.4%*	*14.7%*	*-470 bp*
EBITDA ($M)	$ 160.1	$ 169.7	6.0%
EBITDA Margin	*13.7%*	*14.7%*	*104 bp*
Operating Income ($M)	$ 75.8	$ 18.5	-75.6%
Operating Margin ($M)	*6.5%*	*1.6%*	*-488 bp*
Net Income ($M)	$ 3.4	-$ 67.9	-2069.0%
Net Income Margin	*0.3%*	*-5.9%*	*-620 bp*
EBITDAR (Adjusted) ($M)	$ 249.6	$ 169.7	-32.0%
EBITDAR Margin (Adjusted)	*21.4%*	*14.7%*	*-662 bp*
EBITDA (Adjusted) ($M)	$ 185.5	$ 169.7	-8.5%
EBITDA Margin(Adjusted)	*15.9%*	*14.7%*	*-113 bp*
Operating Income (Adjusted) ($M)	$ 101.2	$ 18.5	-81.8%
Operating Margin ($M) (Adjusted)	*8.7%*	*1.6%*	*-705 bp*
Adjusted Net Income ($M)	$ 28.9	-$ 67.9	-335.4%
Net Income Margin (Adjusted)	*2.5%*	*-5.9%*	*-837 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))

Management Comments on 1Q 2019 Results

Avianca Holdings reached an operating income (EBIT) of $18.5 million in the first quarter 2019, with a 1.6% operating income (EBIT) margin. These results were primarily driven by a 1.5% decrease in total operating revenues as Latin American currencies devalued against the US dollar, coupled with an average fare reduction of 4.2%, resulted in a 6.2% year on year decline in passenger yields. Passenger revenues therefore decreased by 0.1%, while Cargo and Other Revenues decreased 8.4%, primarily due to the termination of a commercial agreement between Etihad and Avianca Holdings, as well as a reduction in chartered Cargo flights. Further, operating expenses increased by 3.6%, primarily driven by increased jet fuel consumption and an 49.0% increase in Fees and Others Expenses mainly due to gain on sale and leaseback transactions on A320 spare engines registered in 2018, as well as, a year on year increase in legal and consulting fees. Air Traffic expenses increased due to costs associated with outsourcing our GetCom call center to a strategic partner in December 2018 which resulted in an equivalent reduction in our Salaries Wages and Benefits line item as Avianca Holdings SA no longer owns its 50% participation in GetCom as announced on December 31, 2018.

Total operating revenues amounted to approximately $1.2 billion during 1Q 2019. This represents a 0.1% year-on-year decrease, mainly due to a 8.4% decrease in Cargo and Other revenues. In addition, Avianca decided to reduce average fares by 4.2% this quarter given the macroeconomic weakness of several Latin American currencies. Yields therefore decreased 6.2% year over year, reaching 8.6 cents. Cargo and other revenues decreased by 8.4%, primarily due to the termination of the commercial agreement between Etihad and Avianca Holdings, as well as a reduction in chartered Cargo flights. These effects were partially offset by an increase in regular cargo revenues due to an 2.4% year over year increase in transported tons. Cargo and other revenues represented 15.7% of total revenues in the first quarter 2019.

Further, LifeMiles expanded its membership by 12.0% year on year, ending the first quarter with approximately 9.0 million members. The retail partnership program also continued to expand, reaching 515 partners in the first quarter 2019; a 48.4% year-on-year increase.

Avianca transported almost 7.7 million passengers in the first quarter of 2019; a 4.3% year-on-year increase. As such, Avianca reported a consolidated load factor of 82.1% for the first quarter 2019. Specifically, routes to Europe reached average consolidated load factors of 82.4%, while domestic Colombia routes reached a strong 81.6% load factor during the first quarter 2018.

1Q 2019 operating expenses were $1.13 billion; a 3.6% year-on-year increase. This was primarily driven by a 9.4% increase in Fuel Expenses associated with the normalization of pre-strike operations which resulted in a 7.6% increase in fuel consumption. This trend was partially offset by the decrease in the Company's effective jet fuel prices, which decreased by 1.6%, from an average of US$2.20 in the first quarter 2018 to US$2.17 per gallon in the first quarter 2019. Further, Fees and Others Expenses increased 49.0% in the first quarter 2019 due to the gain on sale and leaseback transactions on A320 spare engines registered in 2018. In addition, Air traffic expenses increased 22.9%, mainly driven by the costs associated with outsourcing Avianca's call center GetCom to a strategic partner in December 2018. These results were partially offset by a 26.7% decrease in Flight Operations expenses, as the Company no longer operates the wet lease Aircraft used to mitigate effects of the late 2017 pilot strike. In addition, Sales and Marketing expenses decreased 19.7% mainly due to Avianca's decision to decrease tickets provisioned for interline commissions. This was also favorably impacted by higher interline commissions resulting from increased demand for Avianca tickets sold through partner airlines. Finally, Avianca Holdings SA adopted IFRS 16 on January 1, 2019. The new accounting standard requires the accounting of operating leases as assets and liabilities within financial statements, for all leases exceeding 12 months unless the underlying asset is of low value. As such the lessee recognizes the right of use of the underlying asset (and debt) at the present value of the outstanding lease payments. Therefore, the Aircraft rentals line item has been eliminated from 2019 onwards.

As part of the Company's ongoing fuel hedging strategy, a total of 65.8 million gallons of fuel were hedged at the end of the first quarter 2019, this corresponds to approximately 15.0% of the total expected volume to be consumed during 2019. Coverage levels were set at approximately $2.10 per gallon.

In accordance with the Company's fleet plan, Avianca successfully renegotiated its order book with Airbus. Based on the new delivery schedule, Avianca Holdings has cancelled the delivery of 17 A320neo aircraft and postponed the delivery of an additional 35 Aircraft of the same type. As such, Avianca has reduced its financial commitments by more than $2.6 billion dollars and has preserved a $350 million cash position for the 2020-2022 period, when the deliveries were originally due. Further, Avianca will phase out up to ten (10) Embraer E190-100AR aircraft including all or part of the spare parts associated with said fleet under the most favorable terms and conditions for the Company. The book value of the E190-100AR fleet, at the period end, is $ 198M and the associated book value of spare parts is $ 16 M.

The final impact on Avianca's income statement will be determined by the outcome of negotiations with those parties acquiring in the aircraft.

The Company recorded $75.2 million in other non-operating expenses for the 1Q 2019, compared to a non-operating expense of $64.9 million for the same quarter of 2018. Interest expenses increased by $13.7million 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 $11.8 million loss related to the non-cash foreign exchange translation adjustments, as compared to a $16.3 million loss for the same period of 2018. This effect is primarily due to foreign exchange translation adjustments 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 including short-term certificates and bank deposits, restricted cash and cash equivalents and available-for-sale securities, (other current assets) in the amount of $357.5 million, equivalent to approximately 7.3% of revenues for the last twelve months.

In line with the adoption of IFRS 16 since January 1, 2019 Avianca's leverage is calculated using EBITDA as operating leases are now capitalized in Property Plant and Equipment as well as long- and short-term debt. Property Plant and equipment is depreciated over. As such, the Avianca's leverage position (Debt to EBITDA) amounted to 5.6x. Avianca expects continued leverage improvement going forward, with benefit of its transformation process and the Profitability Strategy the Company has implemented throughout the organization it. Avianca's total long-term debt amounted to $4.16 billion, while total liabilities were $7.08 billion.

Full Year 2019 – Outlook

Outlook Summary	Full Year 2019
Total Passenger Increase	0.0% – 2.0%
Capacity (ASK) Increase	0.0% – 2.0%
Load Factor	81.0% – 83.0%
EBIT Margin[1]	5.5% – 7.5%

Analysis by ASKs (in U.S. cents)

	1Q18	1Q19	∆ Vs. 1Q19
Operating revenue:			
Passenger	7.63	7.03	-7.9%
Cargo and other	1.55	1.31	-15.5%
Total Operating Revenues	**9.18**	**8.33**	**-9.2%**
Operating expenses:			
Flight operations	0.32	0.22	-32.4%
Aircraft fuel	2.18	2.20	0.9%
Ground operations	0.90	0.87	-3.3%
Aircraft rentals	0.53	-	-100.0%
Passenger services	0.33	0.36	8.9%
Maintenance and repairs	0.35	0.35	-0.6%
Air traffic	0.49	0.55	13.3%
Selling expenses	1.05	0.78	-26.0%
Fees and other expenses	0.28	0.39	37.4%
Special charges	-	0.09	N/A
Salaries, wages and benefits	1.48	1.30	-12.3%
Depreciation and amortization	0.66	1.09	65.3%
Total operating expense	**8.58**	**8.20**	**-4.5%**
Operating profit (EBIT)	0.59	0.13	-77.5%
Total CASK	8.58	8.20	-4.5%
CASK ex. Fuel	6.40	6.00	-6.3%
Total Cask (Adjusted)	8.67	8.20	-5.4%
CASK ex. Fuel (Adjusted)	6.48	6.00	-7.5%
Yield	**9.13**	**8.56**	**-6.2%**

Interim Condensed Consolidated Statement of Comprehensive Income for the Three-month period ended March 31, 2018 and 2019 (In USD thousands)

	2019	2018
Operating revenue:		
Passenger	$ 970,400	$ 971,601
Cargo and other	180,353	196,793
Total operating revenue	**$ 1,150,753**	**$ 1,168,394**
Operating expenses:		
Flight operations	30,132	41,106
Aircraft fuel	304,064	277,963
Ground operations	120,013	114,414
Aircraft rentals	—	67,115
Passenger services	49,880	42,236
Maintenance and repairs	48,106	44,622
Air traffic	76,350	62,133
Selling expenses	107,763	134,273
Salaries, wages and benefits	179,322	188,491
Fees and other expenses	53,570	35,949
Special charges	11,900	—
Depreciation, amortization and impairment	151,200	84,333
Total operating expenses	**1,132,300**	**1,092,635**
Operating profit	**18,453**	**75,759**
Interest expense	(68,616)	(54,889)
Interest income	4,454	5,698
Derivative instruments	495	490
Foreign exchange	(11,749)	(16,236)
Equity method profit	245	—
(Loss) profit before income tax	**(56,718)**	**10,822**
Income tax expense – current	(8,464)	(16,867)
Income tax expense – deferred	(2,730)	9,493
Total income tax expense	(11,194)	(7,374)
Net (loss) profit for the period	**$ (67,912)**	**$ 3,448**

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

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 290,918	$ 273,108
Restricted cash	107	4,843
Trade and other receivables, net of expected credit losses	285,411	288,157
Accounts receivables from related parties	5,065	6,290
Current tax assets	255,885	231,914
Expendable spare parts and supplies, net of provision for obsolescence	92,928	90,395
Prepayments	103,093	99,864
Deposits and other assets	102,446	89,773
Total current assets	1,135.853	1,084,344
Assets held for sale	—	31,580
Non–current assets:		
Deposits and other assets	91,971	115,504
Trade and other receivables, net of expected credit losses	33,653	35,503
Non-current taxes assets	—	19
Intangible assets and goodwill, net	507,312	513,803
Deferred tax assets	21,334	24,573
Property and equipment, net	6,169,435	5,313,317
Total non–current assets	6,823,705	6,002,719
Total assets	**$ 7,959,558**	**$ 7,118,643**

	March 31, 2019	December 31, 2018
Liabilities and equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 838,980	$ 626,742
Accounts payable	597,183	664,272
Accounts payable to related parties	3,281	2,827
Accrued expenses	127,885	108,712
Current tax liabilities	27,361	26,702
Provisions for legal claims	10,116	7,809
Provisions for return conditions	14,326	2,475
Employee benefits	130,807	125,147
Air traffic liability	420,645	424,579
Frequent flyer deferred revenue	188,024	186,378
Other liabilities	13,080	3,861
Total current liabilities	2,371,688	2,179,504
Non–current liabilities:		
Long–term debt	4,157,272	3,380,838
Accounts payable	6,972	7,127
Provisions for return conditions	121,007	127,685
Employee benefits	112,163	110,085
Deferred tax liabilities	16,888	18,437
Frequent flyer deferred revenue	232,610	234,260
Other liabilities	60,606	68,246
Total non–current liabilities	4,707,518	3,946,678
Total liabilities	**$ 7,079,206**	**$ 6,126,182**
Equity:		
Common stock	82,600	82,600
Preferred stock	42,023	42,023
Additional paid–in capital on common stock	234,567	234,567
Additional paid–in capital on preferred stock	469,273	469,273
Retained earnings	295,727	386,087
Other comprehensive income	(42,947)	(44,096)
Equity attributable to owners of the Company	1,081,243	1,170,454
Non–controlling interest	(200,891)	(177,993)
Total equity	880,352	992,461
Total liabilities and equity	**$ 7,959,558**	**$ 7,118,643**

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.

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).