AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES

(England, United Kingdom)

Unaudited Condensed Consolidated Interim Financial Statements
As of September 30, 2023, and
for the nine-month period ended September 30, 2023
with the independent auditor's report on the review of the interim financial information

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)

Index

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders
Avianca Group International Limited:

Introduction

We have reviewed the accompanying September 30, 2023 condensed consolidated interim financial statements of Avianca Group International Limited ("the Group"), which comprises:

- the condensed consolidated statement of financial position as of September 30, 2023;
- the condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2023;
- the condensed consolidated statements of changes in equity for the nine-month period ended September 30, 2023;
- the condensed consolidated statements of cash flows for the nine-month period ended September 30, 2023; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2023 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG S.A.S

KPMG S.A.S.
Calle 90 No. 19C - 74
November 9, 2023

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Condensed Consolidated Statements of Financial Position
(In USD thousands)

	Notes	September 30, 2023 Unaudited	December 31, 2022 Audited
Assets			
Current assets:			
Cash and cash equivalents	8	$ 731,245	$ 816,716
Short-term investments	8	244,381	44,843
Trade and other receivables net of expected credit losses	9	250,982	233,753
Accounts receivable from related parties	10	1,470	—
Current tax assets	19	228,053	176,255
Defined benefit assets, net	7	3,198	2,102
Expendable spare parts and supplies		97,300	88,578
Prepayments		9,661	15,258
Deposits and other assets	11	34,188	36,547
		1,600,478	**1,414,052**
Assets held for sale	12	12,076	26,067
Total current assets		**1,612,554**	**1,440,119**
Non–current assets:			
Deposits and other assets	11	125,742	81,267
Trade and other receivables, net of expected credit losses	9	—	2,592
Accounts receivable from related parties	10	110,218	103,341
Intangible assets and goodwill, net	14	2,849,122	2,893,187
Deferred tax assets	19	41,420	27,397
Property and equipment, net	13	3,620,210	2,671,909
Total non–current assets		**6,746,712**	**5,779,693**
Total assets		**$ 8,359,266**	**$ 7,219,812**

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Condensed Consolidated Statements of Financial Position
(In USD thousands)

	Notes	September 30, 2023 Unaudited	December 31, 2022 Audited
Liabilities and equity			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	15	$ 348,161	$ 213,043
Accounts payable		484,149	429,854
Accounts payable to related parties	10	196	42
Accrued expenses		64,285	54,577
Current tax liabilities	19	37,763	10,103
Provisions for legal claims	20	39,025	47,124
Provisions for return conditions	16	7,816	5,522
Employee benefits		93,393	81,687
Air traffic liability		692,747	589,825
Frequent flyer deferred revenue		157,645	165,165
Other liabilities		32	275
		1,925,212	1,597,217
Liabilities associated with the assets held for sale	12	—	6,465
Total current liabilities		**1,925,212**	**1,603,682**
Non–current liabilities:			
Long–term debt	15	4,360,995	3,771,792
Provisions for return conditions	16	740,049	553,986
Employee benefits		60,405	40,221
Deferred tax liabilities	19	144,782	155,681
Frequent flyer deferred revenue		274,737	289,847
Other liabilities		92	101
Total non–current liabilities		5,581,060	4,811,628
Total liabilities		**7,506,272**	**6,415,310**
Equity			
Common shares		4	4
Share premium		1,145,962	1,145,962
Accumulated losses		(254,077)	(336,066)
Other comprehensive income		(56,746)	(21,537)
Equity attributable to owners of the Company		**835,143**	**788,363**
Non–controlling interest (NCI)		17,851	16,139
Total equity		**852,994**	**804,502**
Total liabilities and equity		**$ 8,359,266**	**$ 7,219,812**

See accompanying notes to condensed consolidated interim financial statements.

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Condensed Consolidated Statement of Comprehensive Income (Loss)
(In USD thousands)

	Notes		For the nine months ended September 30, 2023 Unaudited		For the nine months ended September 30, 2022 Unaudited
Operating revenue:					
Passenger		$	2,932,688	$	2,285,734
Cargo and other			550,648		676,786
Total operating revenue	5, 23		**3,483,336**		**2,962,520**
Operating expenses:					
Flight operations			72,459		55,954
Aircraft fuel			1,026,271		1,100,570
Ground operations			345,494		298,375
Rentals	21		91,044		190,536
Passenger services			64,184		69,049
Maintenance and repairs			133,339		129,229
Air traffic			156,080		130,135
Selling expenses			270,516		236,263
Salaries, wages, and benefits			386,524		320,913
Fees and other expenses			160,569		189,601
Depreciation and amortization	13,14		333,229		235,098
Total operating expenses			**3,039,709**		**2,955,723**
Operating income			**443,627**		**6,797**
Interest expense			(377,071)		(298,072)
Interest income			36,280		8,808
Other financial income			—		(11)
Foreign exchange, net			(3,218)		(4,563)
Equity method income			726		421
Income (loss) before tax			**100,344**		**(286,620)**
Income tax expense – current	19		(30,095)		(28,445)
Income tax benefit (expense) – deferred	19		22,184		(754)
Total tax expenses			**(7,911)**		**(29,199)**
Net Income (loss) for the period from continuing operations			**92,433**		**(315,819)**
Discontinuing operations					
(Loss) Income from discontinuing operations	12.1		(6,654)		3,257
Net Income (loss) for the period		**$**	**85,779**	**$**	**(312,562)**

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Condensed Consolidated Statement of Comprehensive Income (Loss)
(In USD thousands)

	Notes	For the nine months ended September 30, 2023 Unaudited	For the nine months ended September 30, 2022 Unaudited
Net Income (loss) for the period		$ **85,779**	$ **(312,562)**
Other comprehensive income (loss)			
Items that will not be reclassified to income or loss in future periods:			
Revaluation of administrative property	13	27	35
Remeasurements of defined benefit	7	(39,824)	43,932
Income tax	19	1,716	(1,545)
		(38,081)	**42,422**
Items that will be reclassified to Income or loss in future periods:			
Effective portion of changes in fair value of hedging instruments	17	(559)	(6,531)
Net change in fair value of financial assets with changes in OCI		170	(2,065)
Foreign operations — foreign currency translation differences		3,433	—
		3,044	**(8,596)**
Other comprehensive (loss) income, net of income tax		(35,037)	33,826
Total comprehensive Income (loss), net of income tax		**50,742**	**(278,736)**
Income (Loss) attributable to:			
Equity holders of the parent		81,989	(311,290)
Non–controlling interest		3,790	(1,272)
Net Income (loss)		**85,779**	**(312,562)**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent		46,780	(273,562)
Non–controlling interest		3,962	(5,174)
Total comprehensive Income (loss)		$ **50,742**	$ **(278,736)**

See accompanying notes to condensed consolidated interim financial statements.

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Condensed Consolidated Statement of Comprehensive Income (Loss)
(In USD thousands)

	Notes	For the three months ended September 30, 2023 Unaudited	For the three months ended September 30, 2022 Unaudited
Operating revenue:			
Passenger		$ 1,114,805	$ 908,862
Cargo and other		166,678	219,711
Total operating revenue	5, 23	**1,281,483**	**1,128,573**
Operating expenses:			
Flight operations		24,128	18,796
Aircraft fuel		367,135	393,296
Ground operations		124,315	100,677
Rentals		26,089	41,622
Passenger services		25,180	25,067
Maintenance and repairs		45,640	49,125
Air traffic		59,738	45,034
Selling expenses		90,832	84,719
Salaries, wages, and benefits		143,017	101,599
Fees and other expenses		38,410	69,273
Depreciation and amortization		124,824	104,943
Total operating expenses		**1,069,308**	**1,034,151**
Operating Income		**212,175**	**94,422**
Interest expense		(145.025)	(106,012)
Interest income		19.378	3,595
Other financial income		—	(11)
Foreign exchange, net		(6,383)	(3,543)
Equity method income		191	—
Income (loss) before income tax		**80,336**	**(11,549)**
Income tax expense (benefit) – current		(13,262)	978
Income tax benefit – deferred		14,476	451
Total tax expenses		1,214	**1,429**
Net Income (loss) for the period from continuing operations		**81,550**	**(10,120)**
Discontinuing operations			
Income from discontinuing operations		513	1,979
Net Income (loss) for the period		**$ 82,063**	**$ (8,141)**

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Condensed Consolidated Statement of Comprehensive Income (Loss)
(In USD thousands)

	Notes		For the three months ended September 30, 2023 Unaudited		For the three months ended September 30, 2022 Unaudited
Net Income (loss) for the period		$	**82,063**	$	**(8,141)**
Other comprehensive income (loss)					
Items that will not be reclassified to Income or loss in future periods:					
Revaluation of administrative property			—		35
Remeasurements of defined benefit			(43,219)		9,489
Income tax			1,757		(149)
			(41,462)		**9,375**
Items that will be reclassified to Income or loss in future periods:					
Effective portion of changes in fair value of hedging instruments	17		(559)		(6,337)
Net change in fair value of financial assets with changes in OCI			(37)		(622)
Foreign operations — foreign currency translation differences			374		625
			(222)		**(6,334)**
Other comprehensive (loss) income, net of income tax			(41,684)		3,041
Total comprehensive Income (loss), net of income tax			**40,379**		**(5,101)**
Income (loss) attributable to:					
Equity holders of the parent			81,021		(9,056)
Non–controlling interest			1,042		915
Net Income (loss)			**82,063**		**(8,141)**
Total comprehensive income (loss) attributable to:					
Equity holders of the parent			39,148		(5,823)
Non–controlling interest			1,231		722
Total comprehensive Income (loss)		$	**40,379**	$	**(5,101)**

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Condensed Consolidated Statement of Changes in Equity
(In USD thousands)

For the nine months ended September 30, 2023

	Notes	Common shares	Share premium	Other comprehensive Income	Accumulated Losses	Equity attributable to owners of the Company	Non-controlling interest	Total equity
				OCI Reserves				
Balance at December 31, 2022		**$ 4**	**$1,145,962**	**$(21,537)**	**$(336,066)**	**$788,363**	**$16,139**	**$804,502**
Net Income		—	—	—	81,989	81,989	3,790	85,779
Sale of Subsidiary	12.1	—	—	—	—	—	(2,250)	(2,250)
Other comprehensive income		—	—	(35,209)	—	(35,209)	172	(35,037)
Balance at September 30, 2023 (Unaudited)		**$ 4**	**$1,145,962**	**$(56,746)**	**$(254,077)**	**$835,143**	**$17,851**	**$852,994**

See accompanying notes to condensed consolidated interim financial statements.

AVIANCA GROUP INTERNATIONAL LIMITED
(England, United Kingdom)
Condensed Consolidated Statement of Changes in Equity
(In USD thousands)

For the nine months ended September 30, 2022

	Common shares	Share premium	Other comprehensive Income	Accumulated Losses	Equity attributable to owners of the Company	Non-controlling interest	Total equity
			OCI Reserves				
Balance at December 31, 2021	**$ 4**	**$1,145,962**	**$ 14,954**	**$(12,563)**	**$1,148,357**	**$14,543**	**$1,162,900**
Net loss	—	—	—	(311,290)	(311,290)	(1,272)	(312,562)
Other comprehensive income	—	—	37,728	—	37,728	(3,902)	33,826
Balance at September 30, 2022 (Unaudited)	**$ 4**	**$1,145,962**	**$ 52,682**	**$(323,853)**	**$874,795**	**$9,369**	**$884,164**

See accompanying notes to condensed consolidated interim financial statements.

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Condensed Consolidated Statement of Cash Flows
(In USD thousands)

	Notes	For the nine months ended September 30, 2023 Unaudited	For the nine months ended September 30, 2022 Unaudited
Cash flows from operating activities:			
Net Income (loss) for the period		**$ 85,779**	**$ (312,562)**
Adjustments for:			
Provision for expected credit losses	9	3,930	1,193
Provision for expandable spare parts and suppliers' obsolescence		1,528	968
Recovery of provisions for legal claims	20	(2,603)	(1,430)
Depreciation and amortization	13-14	333,229	235,098
(Gain) loss in disposal assets		(1,907)	1,033
Loss on sale subsidiary	12.1	6,654	—
Interest income		(36,280)	(8,808)
Interest expense		377,071	298,072
Deferred tax	19	(22,184)	754
Derivative instruments	17	275	1,814
Current tax expense	19	30,095	28,445
Unrealized foreign currency (gain) loss		(21,097)	(3,559)
Changes in:			
Trade and other receivables		(11,090)	(36,242)
Expendable spare parts and supplies		(10,250)	(17,371)
Prepayments		5,549	7,092
Net current tax		33,137	(37,319)
Deposits and other assets		(41,744)	(52,163)
Accounts payable and accrued expenses		16,258	(46,181)
Air traffic liability		102,922	107,911
Frequent flyer deferred revenue		(22,630)	(32,182)
Provisions for return conditions		(398)	—
Provisions for legal claims		(6,594)	4,615
Employee benefits		(21,717)	(44,398)
Income tax paid		(39,841)	(63,365)
Fuel Hedging paid	17	(3,304)	(9,999)
Net cash provided by operating activities		**754,788**	**21,416**
Cash flows from investing activities:			
Acquisition of property and equipment		(222,927)	(194,618)
Reimbursement of equipment acquisition	13	25,860	55,070
Acquisition of short-term investments		(228,454)	(5,081)
Reimbursement of short-term investments		29,542	—
Loans granted related parties		—	(97,800)
Loan granted to third parties		—	(2,500)
Acquisition of intangible assets	14	(13,089)	(11,730)
Interest received		22,845	6,378

AVIANCA GROUP INTERNATIONAL LIMITED
(England, United Kingdom)
Condensed Consolidated Statement of Cash Flows
(In USD thousands)

Proceeds from sale of property and equipment		31,784	348,611
Consideration received from disposal of subsidiary	12.1	4,506	—
Cash and cash equivalents disposed	12.1	(4,011)	(6,352)
Net cash (used in) provided by investing activities		**(353,944)**	**91,978**
Cash flows from financing activities:			
Payments of liabilities associated with assets held for sale		—	(317,667)
Proceeds from loans and borrowings		11,500	—
Repayment of loans and borrowings	15	(244,582)	(133,016)
Interest paid	15	(253,873)	(165,475)
Net cash used in financing activities		**(486,955)**	**(616,158)**
Net decrease in cash and cash equivalents		(86,111)	(502,764)
Exchange rate effect on cash		640	746
Cash and cash equivalents at the beginning of the period		816,716	1,282,983
Cash and cash equivalents at the end of the period		**$ 731,245**	**$ 780,965**

See accompanying notes to condensed consolidated interim financial statements.

(1) Reporting entity

Avianca Group International Limited ("AGIL" or the "Company") is a company incorporated and existing under the laws of England and Wales as of September 27, 2021, with a registered office at 3rd Floor 1 Ashley Road, Altrincham, Cheshire, England, WA14 2DT. AGIL, together with its subsidiaries, will be referred to as the "Group" for the purposes of this document.

AGIL was incorporated with the objective of acquiring the business of Avianca Holdings S.A. (the Group's former holding entity). The corresponding reorganization transaction was completed on December 1, 2021 (the "C11 Emergence Date"), pursuant to the implementation of the Group's Plan. From the C11 Emergence Date until March 31, 2022, AGIL was the holding company of the Group.

On March 31, 2022, Investment Vehicle 1 Limited, a company incorporated in the Cayman Islands and tax resident in England and Wales ("IV1L"), was interposed between AGIL and its then-shareholders by way of a 1:1 share for share exchange (the "Reorganization Transaction"). Pursuant to the Reorganization Transaction, all shareholders transferred their ordinary shares in AGIL to IV1L in exchange for an equal number of ordinary shares in IV1L. As a result: (i) AGIL's former shareholders became shareholders of IV1L; and (ii) IV1L became the sole shareholder of AGIL and the holding entity of the Group. The Reorganization Transaction was intended to bolster the Group's structure, to allow Avianca to enter into strategic transactions more efficiently.

On May 10, 2022, certain shareholders of IV1L and the controlling shareholders of Gol Linhas Aéreas Inteligentes S.A. entered into a landmark contribution agreement (as amended from time to time) to create a leading air transportation group across Latin America under a single holding entity named Abra Group Limited ("Abra"). Abra is a private limited company which was incorporated in England and Wales on February 18, 2022. On April 3, 2023, this transaction closed and the shareholders of IV1L transferred their shares therein to Abra in exchange for shares in Abra. As a result, Abra became the Company's ultimate parent and the Group's holding company.

On June 7, 2023, pursuant to the *Further Modified Joint Chapter 11 Plan of Avianca Holdings S.A. and Its Affiliated Debtors* [Docket No. 2259], which was confirmed by the U.S. Bankruptcy Court for the Southern District of New York on November 2, 2021 (the "Plan"), subsequent issuances of shares to 129 Electing General Unsecured Claimholders (as defined in the Plan, each such claimholder a "GUC") were completed (the "Issuances"). The Issuances, which were all implemented on June 7, 2023, included:

- the allotment and issuance to each GUC of 335,045 ordinary shares of US$0.0001 each in the capital of AGIL;
- immediately after, the exchange of the shares received in AGIL for an equal number of IV1L shares;
- immediately after, the transfer to Abra of the shares received in IV1L in consideration for such number of shares in Abra as established in the transaction documents.

As a consequence of the foregoing, the GUCs are currently Abra shareholders and IV1L remains AGIL's sole shareholder. Further issuances of shares to the remaining Electing General Unsecured Claimholders are expected to take place in the near future in a similar fashion as described above.

(In USD thousands)

Significant subsidiaries

The following are the Group's significant subsidiaries included within these condensed consolidated interim financial statements:

Subsidiary Name	Country of incorporation	Ownership Interest% 2023	Ownership Interest% 2022
Avianca Ecuador S.A.	Ecuador	99.62%	99.62%
Aerovías del Continente Americano S.A. (Avianca)	Colombia	99.98%	99.98%
Avianca Leasing, LLC	US	100%	100%
Grupo Taca Holdings Limited.	Bahamas	100%	100%
LifeMiles Ltd.	Bermuda	100%	100%
Avianca Costa Rica S.A.	Costa Rica	92.42%	92.42%
Taca International Airlines, S.A.	El Salvador	96.83%	96.83%
Tampa Cargo S.A.S.	Colombia	100%	100%
Regional Express Américas S.A.S.	Colombia	100%	100%
Aero Transporte de Carga Unión, S.A. de C.V.	México	92.70%	92.70%

The Group, through its subsidiaries, is a provider of domestic and international passenger and cargo air transportation, both in the domestic markets of Colombia, Ecuador and international routes serving North, Central and South America, Europe, and the Caribbean.

The passenger airlines of the Group have entered into a several bilateral code share alliances with other airlines (whereby selected seats on one carrier's flights can be marketed under the brand name and commercial code of the other), expanding travel choices to customers worldwide.

Most codeshare alliances typically include: a single ticket issued in a single transaction for the whole itinerary, passenger and baggage check-in to the final destination, transfer of baggage at any transfer point, frequent flyer program benefits, among others. To date, the airlines of AGIL have codeshare agreements with the following airlines: Air Canada, United Airlines, Copa Airlines, Silver Airways, Iberia, Lufthansa, ITA Airways, All Nippon Airways, Singapore Airlines, Eva Airways, Air China, Etihad Airways, Turkish Airlines, Air India, Azul Linhas Aéreas Brasileiras, GOL Linhas Aéreas Inteligentes, TAP, Clic.

In addition, Avianca S.A. is a member of Star Alliance, as well as Taca International, Avianca Ecuador and Avianca Costa Rica, as "*Connected Entities*" of Avianca S.A. This gives customers access to the destinations, services and benefits offered by the 26 airline members of Star Alliance. Its members include several of the world's most recognized airlines, Lufthansa, United Airlines, Thai Airways, Air Canada, TAP, Singapore Airlines, among others. All of them are committed to meeting the highest standards in terms of security and customer service.

(In USD thousands)

As of September 30, 2023, and December 31, 2022, Avianca Group International Limited's total fleet is comprised of:

	As of September 30, 2023			As of December 31, 2022		
Aircraft	**Owned**	**Lease**	**Total**	**Owned**	**Lease**	**Total**
Airbus A-319	—	10	**10**	—	19	**19**
Airbus A-320	—	77	**77**	1	71	**72**
Airbus A-320 NEO	—	39	**39**	—	21	**21**
Airbus A-330	1	5	**6**	1	3	**4**
Airbus A-330F	—	6	**6**	—	6	**6**
Airbus A-300F	3	—	**3**	3	—	**3**
Boeing 787-8	—	16	**16**	—	13	**13**
Boeing 767F	2	—	**2**	2	—	**2**
	6	**153**	**159**	**7**	**133**	**140**

For the nine-month period ended September 30, 2023, the Group finalized lease agreements for nine (9) A319, five (5) A320 and sold one (1) A320 Owned. The Group also added eleven (11) A320, three (3) B787-8 and eighteen (18) A320 NEO aircraft under leasing and signed a leasing arrangement for two (2) A330.

Also, during that period, three (3) B787-8, two (2) A319 and one (1) A320 previously under finance leases contract changed to operating leases contract. Lastly, the Group extended the lease agreement for three (3) A319 and the operating lease agreement of one (1) A330 Wet Lease.

The reclassification of 6 finance leases contract, previously presented under the label "owned/financial lease" have been presented under the label "lease" to the consolidated financial statements 2022 to conform to the current period presentation.

(2) Basis of presentation of the Condensed Consolidated Interim Financial Statements

Professional Accounting Standards Applied

a) Statement of compliance

The Condensed Consolidated Interim Financial Statements for the nine-month period ended September 30, 2023, have been prepared in accordance with IAS 34 interim Financial Reporting and should be read in conjunction with the Group´s last annual consolidated financial statements as at and for the year ended December 31, 2022.

The Condensed Consolidated Interim Financial Statements as of and the nine-month period ended September 30, 2023, do not include all information and disclosures required in the annual financial statements. However, selected explanatory notes have been included to disclose events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the Consolidated Financial Statements for the period ended December 31, 2022.

The Group's condensed consolidated financial statements as of September 30, 2023, and December 31, 2022, and for the nine-month period ended September 30, 2022, were prepared, and presented by Management and authorized for issuance by the Audit Committee on November 9, 2023.

b) Going Concern

These Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis.

Avianca Group International Limited financial results show the successful continued execution of key business plan initiatives to offer a more reliable and compelling product, which lay the foundation to achieve long-term profitability and foster the ability to adapt through economic cycles.

During a seasonally robust quarter, capacity deployment reached 14.5 billion while average load factor increased to 85.5%, signaling a solid demand environment on the markets the Company operates. As a result, revenues reached $1,281.5 million, and EBITDAR amounted to $363.2 million representing a 28.3% EBITDAR margin, as the Company has continued to keep a disciplined cost control strategy. In addition, cash balance remains strong at $975.6 million by the end of the period.

Avianca Group remains watchful of the macroeconomic environment as fuel prices volatility and increased inflation represent an industry risk. Indeed, the Company tactically bought Asian call options to mitigate jet fuel cost increase by hedging 25.6 million gallons of its October fuel consumption and 29.3 million gallons for November, and 31.4 million gallons for December, as jet fuel price increased following a 28.5% escalation of WTI during the third quarter.

Finally, Management highlights the Group's improved operating and financial performance as the business transformation continues to be implemented, as well as the relevance of the business plan as a guidance to ensure Avianca Group competitiveness and healthy position for the years to come.

c) Fuel price Risk

The Group´s operations require a significant volume of jet fuel purchases. Whereas jet fuel price increased following a 28.5% escalation, during the third quarter, AGIL has implemented several measures to address price increases that could result from potential macroeconomic headwinds and unexpected catastrophic events.

These measures include maintaining healthy unit revenues supported by strong demand and a continued effort to optimize capacity, allowing the company to focus on improving profitability and preserving cash.

In addition, in September 2023 Avianca purchased opportunistic call options with Jet Fuel – Jet 54 Gulf Coast (PIPELINE) as an underlying asset to cover the fuel consumption for the September to November 2023 period, enabling the Company to protect against fuel price increases and volatility. AGIL spent $3,304 (note 17) in premiums related to said fuel call options during the third quarter ended September 30, 2023.

(In USD thousands)

Sensitivity analysis

Fuel price fluctuation impacts on profit and/or loss are illustrated below. This analysis shows the estimated impact for 2023 of a 5%, 10% and 15% increase in the underlying reference price per barrel at the end of September 2023, with a projected consumption of 130 million gallons. The projection period was defined since October until the end of 2023. This analysis assumes that all other variables remain constant and considers the effect of changes in jet fuel price.

	Effect in Income or loss
5% movement	(20,609)
10% movement	(41,219)
15% movement	(61,828)

d) Basis of measurement

The Condensed Consolidated Interim Financial Statements have been prepared on a historical cost basis, excluding land and buildings (which are classified as administrative property), defined benefit plan assets, and short-term investments that have been calculated at fair value.

e) Functional and presentation currency

The Condensed Consolidated Interim Financial Statements are presented in US Dollars, the functional currency for each legal entity within the Group. Items included within the financial statements of each entity are measured using said functional currency.

f) Use of judgments and estimates

The preparation of IFRS compliant Condensed Consolidated Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may therefore differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized accordingly.

In preparing these consolidated financial statements, significant judgments were made by Management when applying the Group's accounting policies, and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2022. However, the current environment generates uncertainty and complexity in the estimate's calculation.

(3) Significant account policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group´s consolidated financial statements as of and for the year ended December 31, 2022.

The policy for recognizing and measuring income taxes in the interim period is disclosed in Note 19 and is consistent with that applied in the comparative interim period except for the changes outlined below:

Deferred tax related to assets and liabilities arising from a single transaction

The Group has applied this IAS12 amendment early, as of December 31, 2022.

Global Minimum top up tax

The Group has adopted International Tax Reform- Pillar Two Model Rules- Amendments to IAS 12 upon their released-on 23 May 2023. The amendments provide a temporary mandatory exemption from deferred tax accounting for top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023. The mandatory exemption applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted as of December 31, 2022, in any jurisdiction in which the Group operates and no related deferred taxes were recognized at that date, the retrospective application has no impact on the Group´s condensed consolidate interim financial statements.

The relief and the new disclosures will also be reflected in Group´s consolidated financial statements as of and for the year ending December 31, 2023.

(4) New and amended standards, interpretations and amendments adopted by the Group

The Group initiated the application of certain standards and amendments to standards, effective for those reporting periods subsequent to January 1, 2023, with no material impact in the financial statements.

- Definition of accounting estimates (Amendments to IAS 8),
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2),
- Deferred Taxes related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

(4.1) Standards issued but not yet effective.

Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (amendments to IAS 1)

- Modifies the requirement to classify a liability as current by establishing that a liability is classified as current when “at the end of the reporting period it does not have the right to defer the settlement of the liability for at least the following twelve months.”

- Clarifies within paragraph 72A of IAS 1 that “the right of an entity to defer the settlement of a liability for at least twelve months after the reporting period must be substantial and, as paragraphs 73 to 75 illustrate, must exist at the end of the reporting period.”

This amendment is effective as of January 1, 2024.

(In USD thousands)

Lease Liability in a Sale and Leaseback (amendments to IFRS 16)

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The group will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16.

This amendment is effective as of January 1, 2024.

(5) Segment Information

The Group reports information by segments as established in IFRS 8 "Operating segments". The Group has two reportable segments, as follows:

- Air transportation: Corresponds to passenger and cargo operating revenues on scheduled flights and freight transport, respectively.
- Loyalty: Corresponds to the loyalty program of Avianca Group International Limited.

The Board of Directors is the Chief Operating Decision Maker (CODM) and monitors the operating results of its reportable segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the statement of comprehensive income and is measured consistently with the Group´s consolidated financial statements.

The Group's operational information by reportable segment is as follows:

	For the nine months ended September 30, 2023			
	Air transportation	**Loyalty**	**Eliminations**	**Consolidated**
Operating revenue				
External customers	$ 3,262,356	$ 220,980	$ —	$ 3,483,336
Inter-segment	1,747	2,840	(4,587)	—
Total operating revenue	**3,264,103**	**223,820**	**(4,587)**	**3,483,336**
Operating expenses before depreciation and amortization	2,573,579	137,488	(4,587)	2,706,480
Depreciation and amortization	317,327	17,441	(1,539)	333,229
Operating Income	**373,197**	**68,891**	**1,539**	**443,627**

(In USD thousands)

Interest expense	(346,706)	(30,365)	—	(377,071)
Interest income	34,160	2,120	—	36,280
Foreign exchange	(3,215)	(3)	—	(3,218)
Equity method income	726	—	—	726
Income tax expense	(7,866)	(45)	—	(7,911)
Net Income for the period, from continuing operations	**50,296**	**40,598**	**1,539**	**92,433**
Loss from discontinuing operations	(6,654)	—	—	(6,654)
Net Income for the period	**$ 43,642**	**$ 40,598**	**$ 1,539**	**$ 85,779**
Total Assets – September 30, 2023	**$ 7,502,260**	**$1,002,790**	**$ (145,784)**	**$ 8,359,266**
Total Liabilities – September 30, 2023	**$ 6,748,949**	**$ 845,244**	**$ (87,921)**	**$ 7,506,272**

The Group's operational information by reportable segment is as follows:

	For the nine months ended September 30, 2022			
	Air transportation	**Loyalty**	**Eliminations**	**Consolidated**
Operating revenue				
External customers	$ 2,753,206	$ 209,314	$ —	$ 2,962,520
Inter-segment	1,720	2,130	(3,850)	—
Total operating revenue	**2,754,926**	**211,444**	**(3,850)**	**2,962,520**
Operating expenses before depreciation and amortization	2,602,488	121,987	(3,850)	2,720,625
Depreciation and amortization	224,258	16,956	(6,116)	235,098
Operating Income	**(71,820)**	**72,501**	**6,116**	**6,797**
Interest expense	(273,516)	(24,556)	—	(298,072)
Interest income	7,569	1,239	—	8,808
Other financial income	(11)	—	—	(11)
Foreign exchange	(4,559)	(4)	—	(4,563)
Equity method income	421	—	—	421
Income tax expense	(29,161)	(38)	—	(29,199)
Net (Loss) income for the period, from continuing operations	**(371,077)**	**49,142**	**6,116**	**(315,819)**
Income from discontinuing operations	3,257	—	—	3,257
Net Loss for the period	**$ (367,820)**	**$ 49,142**	**$ 6,116**	**$ (312,562)**
Total Assets – September 30, 2022, Restated	**$ 6,713,481**	**$ 977,264**	**$ (113,659)**	**$ 7,577,086**
Total Liabilities – September 30,2022, Restated	**$ 5,904,793**	**$ 815,016**	**$ (26,887)**	**$ 6,692,922**

(In USD thousands)

Inter-segment revenues are eliminated upon consolidation and are reflected within the "Eliminations" column.

The Group's revenues by geographic area are as follows:

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022	For the three months ended September 30, 2023	For the three months ended September 30, 2022
Colombia	$ 1,507,815	$ 1,322,790	$ 550,025	$ 483,871
Central America and the Caribbean	655,922	571,331	221,135	213,403
United States of America	576,186	510,040	212,674	199,672
South America (excluding Colombia)	524,202	424,239	187,757	164,083
Other	219,211	134,120	109,892	67,544
Total operating revenue	**$ 3,483,336**	**$ 2,962,520**	**$ 1,281,483**	**$ 1,128,573**

The Group allocates revenues by geographic area based on a given flight's point of origin. Non-current assets are comprised primarily of aircraft and aeronautical equipment, which are used throughout different countries and are therefore not assignable to any geographic area.

(6) Seasonality

The results of operations for any interim period are not necessarily indicative of those for the entire year due to the fact that the business is subject to seasonal fluctuations. These fluctuations are the result of high vacation and leisure demand occurring during the northern hemisphere's summer season during the third quarter (principally in July and August) and again during the fourth quarter (principally in December) as well as in January.

The lowest levels of passenger traffic are concentrated in the months of February, March, and May. Given the proportion of fixed costs, Avianca Group International Limited and its subsidiaries expect quarterly operating results to continue to fluctuate on a quarterly basis. This information is provided to improve the understanding of the Company's results. However, management has concluded that this does not constitute "highly seasonal" as defined by IAS 34.

(7) Employee benefits

The Group sponsors defined benefit pension plans, which require contributions to be made to separately administered funds. The Group also provides certain additional post-employment benefits. These benefits are unfunded as of September 30, 2023. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit cost method. Actuarial gains and losses for defined benefit plans are recognized in full during the period in which they occur within other comprehensive income.

In 1993, the pension plan in Colombia changed from a defined benefit plan to a defined contribution plan. The Colombian government defined a transition regime to maintain the conditions of pilots and co-pilots included in the pension plan prior to April 1, 1994; this transition regime is administered by CAXDAC.

According to the above, the group's obligation for post-employment of the subsidiaries in Colombia is recognized and is mainly regulated by Law 860 of 2003, Decree 2210 of 2004, and Decree 1269 of 2009.

According to Law 860 of 2003 and Decree-Law 1282 and 1283 of 1994, the Group must transfer the value of their actuarial calculation to the CAXDAC pension fund and will have until the year 2023 to make such payments. From this date, CAXDAC will become the responsible party for the obligation, and until then, the Group is responsible for the obligation.

The Assets Plan is managed by CAXDAC and corresponds to the transfers paid by Avianca S.A. and Tampa Cargo S.A.S. in accordance with Colombian regulation.

As of September 30, 2023, the CAXDAC defined benefit obligation corresponds to a short-term obligation that should be commuted at the end of 2023, in accordance with Decrees 1282 and 1283 of 1994 issued by the "Ministerio de Trabajo". The actuarial obligation must be commuted using a discount rate of 4%, as per Decrees 2783 of 2001, and 1730 of 2001 issued by the "Presidencia de la República de Colombia" and Circular 10 of 2009 issued by the "Superintendencia de Puertos y Transporte".

The other pension plans are measured using a discount rate based on the government bonds of each country in which the respective benefit plan is established.

As of September 30, 2023, the defined benefit liability is comprised of the present value of the defined benefit obligation using a discount rate based on government bonds for each country where the respective benefit plan is established, less the fair value of plan assets out of which the obligations are to be settled.

Under CAXDAC defined benefit obligation, the Group has two plans related to the subsidiaries Tampa Cargo S.A.S. and Aerovías del Continente Americano S.A. (Avianca). As of September 30, 2023, the transfers to CAXDAC related to the plan of Aerovías del Continente Americano S.A. exceed the present value of Avianca S.A. defined benefit obligation by US$3,198 (December 31, 2022: $2,102), the increase is due to the payments made by Avianca to CAXDAC and the returns generated by the fund. The plan assets will be commuted with the obligation on December 31, 2023, and the obligation will become the responsibility of the CAXDAC pension fund.

Due to the local regulations of two of the Group's CAXDAC defined benefit plans, the Group is required to make contributions to a fund that is managed externally.

For the CAXDAC pension plans, the actuarial valuation-indexed discount rate was 4% on September 30, 2023 (December 31, 2022: 4%). For the other pension liability plans and post-retirement medical benefits for the group, the discount rate was 10.11% on September 30, 2023 (December 31, 2022: 11.11%). During the nine months ended September 30, 2023, the return and assumptions on CAXDAC plan assets and obligation $32,895 (nine months ended September 30, 2022: $28,016) and the increase in the discount rate on the other pension plans $6,929 (nine months ended September 30, 2022: $71,948) were recognized in Other Comprehensive Income for $39,824 (nine months ended September 30, 2022: $43,932).

(In USD thousands)

(8) Cash and cash equivalents and Short-Term Investments

	September 30, 2023		December 31, 2022	
Cash on hand and bank deposits	$	684,104	$	729,132
Cash equivalents (1)		26,125		48,372
Restricted cash and cash equivalents (2)		21,016		39,212
Cash and cash equivalents	**$**	**731,245**	**$**	**816,716**
Short-Term investments (3)		224,381		44,843
Restricted Short-Term investments (4)		20,000		—
Short-term investments	**$**	**244,381**	**$**	**44,843**

(1) As of September 30, 2023, Investment Funds accrued an average annual interest rate of 11.76% in Colombian pesos (December 31, 2022: 7.2%); time deposits accrued annual interest at 3.8% in Costa Rican pesos (December 31, 2022: 4.35%) and between 2% and 6.2% in U.S. (December 31, 2022: 1% and 6%); and CDTs (Colombian time deposits) accrued annual interest rates at 14.33% in Colombian pesos (December 31, 2022: 11.19%). The use of term deposits depends on the Group's cash requirements during the period.

(2) The Group has cash that is restricted to cover events or claims. AGIL has access to these funds through specific instructions provided to the broker and bank guarantee collaterals. These funds are intended to support the guarantees that JP Morgan Bank and Citibank NY Bank provide to third parties who require them from Avianca S.A. for fulfilling contracts or providing operational services.

(3) The short-term classification corresponds to funds invested for terms of less than one year; investments correspond to CDTs and bonds constituted by trusts held by the Group. During the nine months ended September 30, 2023, five (5) Time Deposits were created for $130,000 with City Group Global for a term of 6, 9, and 12 months at an average rate of 4.9%, seven (7) Bonds were created for $40,000 with Bank of America for a term between three (3) and eleven (11) months at an average rate of 5.4% and Government Bonds and Corporate Bonds were created for $27,771 and $15,000 respectively, through Merry Lynch Portfolio.

(4) The restricted short-term classification corresponds to two (2) Time Deposits created, from restricted cash (see (2)), for $20,000 with HSBC for a term of 6 and 12 months at an average rate of 4.5%.

(In USD thousands)

(9) Trade and other receivables, net of expected credit losses

	September 30, 2023	December 31, 2022
Trade	$ 244,160	$ 230,068
Employee advances	4,644	3,346
Other	14,844	11,667
	263,648	**245,081**
Less estimate for expected credit losses (1)	(12,666)	(8,736)
Total	**$ 250,982**	**$ 236,345**
Net current	$ 250,982	$ 233,753
Net non-current	—	2,592
Total	**$ 250,982**	**$ 236,345**

Trade receivables are non-interest bearing.

(1) The Group recognized impairment for expected credit losses as of September 30, 2023 for $12,666:

	September 30, 2023	December 31, 2022
Balance at beginning of year	$ 8,736	$ 3,784
Provision for expected credit losses (a)	3,930	4,952
Total	**$ 12,666**	**$ 8,736**

(a) As of September 30, 2023, the provision for expected credit losses include impairment over the loan's agreement with Rexton Enterprises S.A. for $2,694.

(In USD thousands)

(10) Balances and transactions with related parties

As of September 30, 2023, the Group reported payables to related parties of $196 (as of December 31, 2022: $42) and receivables from related parties of $111,688 (as of December 31,2022: $103,341).

During the period, the Group reported revenues from related parties of $7,569 (nine months ended September 30, 2022: $2,068) and expenses from related parties of $692.

		As of September 30, 2023		For the nine months ended September 30, 2023	
Company	**Country**	**Account Receivables**	**Account Payables**	**Revenues**	**Expenses**
Corporación Hotelera Internacional S.A	Colombia	$ —	$ 194	$ —	$ —
Hotelería Internacional S.A	Colombia	—	2	—	—
Investment Vehicle 1 Limited	Cayman Islands	110,378	—	7,569	692
Abra Group Limited	Gran Bretaña	1,310	—	—	—
Total		**$ 111,688**	**$196**	**$7,569**	**$ 692**

	September 30, 2023	
	Accounts receivable	**Accounts payable**
Short-term	$ 1,470	$ 196
Long-term	110,218	—
Total	$ **111,688**	$ **196**

As of December 31, 2022, Avianca Group International Limited (AGIL) entered into an intercompany agreement with Investment Vehicle 1 Limited for a total of US$110,218 ($97,800 initial loan and $12,418 for interest capitalized). This intercompany loan has a term of five years, and interest will be capitalized and added to the outstanding balance, which will be paid on the maturity date.

Key management personnel compensation expense

During the nine-month period ended September 30, 2023, the short-term employee benefits paid to key management personnel were $31,315 (nine months ended September 30, 2022: $19,240), as follows:

	For the nine months ended September 30, 2023	**For the nine months ended September 30, 2022**
Salaries/Bonuses/Cash Benefits	$ 28,133	$ 17,447
Benefits/Social Charges	3,182	1,793
Total	**$ 31,315**	**$ 19,240**

(In USD thousands)

(11) Deposits and other assets

	Note	September 30, 2023	December 31, 2022
Current:			
Deposits and other assets:			
Deposits with lessors (1)		$ 1,815	$ 2,718
Guarantee deposits (2)		9,964	15,958
Commission (3)		12,800	13,946
Others (5)		7,139	3,925
Subtotal		**31,718**	**36,547**
Fair value of derivative instruments	17	2,470	—
Total		**34,188**	**36,547**
Non-current:			
Deposits with lessors (1)		$ 63,790	$ 51,745
Guarantee deposits (2)		31,042	9,265
Labor lawsuits (4)		23,382	12,796
Others (5)		172	—
Long term investments		7,356	7,461
Subtotal		**125,742**	**81,267**
Total		**$ 159,930**	**$ 117,814**

(1) Corresponds primarily to operating lease aircraft agreement security deposits. These deposits are recoverable.
(2) Corresponds to the amounts paid to suppliers in relation to airport facility leasing, among other service agreements, and lawsuit deposits.
(3) Corresponds to travel agency commissions.
(4) Corresponds to court deposits to guarantee civil and labor lawsuits, which remain in court until the resolution of the disputes to which they are related.
(5) Corresponds mainly to aeronautical policies and other deposits.

(In USD thousands)

(12) Assets and liabilities held for sale

	September 30, 2023	December 31, 2022
Airbus aircraft (1)	$ 12,076	$ 16,430
Disposal group held for sale	—	9,637
Total assets held for sale	**$ 12,076**	**$ 26,067**
Liabilities associated with the assets held for sale	$ —	$ 6,465
Total liabilities held for sale	**$ —**	**$ 6,465**

(1) Certain Group subsidiaries classified as held for sale two (2) aircraft, (one (1) A330 and one (1) A320), and three (3) engines to be sold during 2023. During the year 2023, (1) One engine and (1) aircraft A320 were sold.

(12.1) **Sale of subsidiary Servicios Aeroportuarios Integrados – SAI S.A.S.**

AGIL's Board of Directors approved on February 17, 2022 the divestiture of Servicios Aeroportuarios Integrados SAI S.A.S. ("SAI S.A.S."), a subsidiary based in Colombia operating in the air transportation segment, which represented 0.1% of assets and 0.2% of operating revenues in the consolidated financial statement. Therefore, SAI S.A.S. was presented as a disposal group held for sale as of December 31, 2022.

On February 1, 2023, AGIL's Board of Directors executed the sale of SAI S.A.S.; as a result of the transaction, the Group lost control and ceased to consolidate the financial statements of this subsidiary.

The following is a summary of the movements in the financial statements due to the sale and the corresponding loss of control:

Results of discontinued operation	**2023**
Amount of cash in the company	$ 4,011
Carrying assets, other than cash	17,442
Carrying amount liabilities	(4,494)
Impairment December 31, 2022	(3,549)
Net Assets and liabilities of the subsidiary	**13,410**
Non-controlling interest	(2,250)
Attributable to owners of the subsidiary	**$ 11,160**
Consideration received, satisfied in cash	4,506
Loss on the sale of the subsidiary	**$ 6,654**

(13) Property and equipment, net

The main movements of property and equipment during the period between January 1 and September 30, 2023, are detailed below:

- Flight equipment: The additions during the nine-month period ending September 30, 2023 primarily relate to the recognition of the aircraft leasing rights for $848,227(This amount includes the acquisition of twenty-nine (29) aircraft A320, six (6) B787 aircraft and three (3) spare engines) (nine months ended September 30, 2022: $925,046), new engine TRENT 1000-D2 for $31,508, densification for $43,816 (nine months ended September 30, 2022: $34,985) and Overhaul for $5,258 (nine months ended September 30, 2022: $9,932).

  Right of use for return conditions for $133,151 (nine months ended September 30, 2022: $425,650).

  The drop-off for $9,998 corresponds mainly to sale and leaseback (nine months ended September 30, 2022: $21,804).

- Capitalized maintenance: During the nine-month period ending September 30, 2023, the additions correspond to major repairs (overhaul) for engines, fuselage and an auxiliar power unit (APU) in the amount of $66,491 (nine months ended September 30, 2022: $60,594) and payments of the Total Care Life Agreement in the amount of $39,675.

- Other property and equipment: During the nine-month period ending September 30, 2023, the main additions correspond to non-aeronautical leasing for $11,445 (nine months ended September 30, 2022: $177), projects $8,239 (nine months ended September 30, 2022: $13,766), tools and other assets in the amount of $1,855 (nine months ended September 30, 2022: $2,555).

Reimbursement of equipment acquisition
During the nine-month period ending September 30, 2023, the equipment acquisition reimbursement was $25,860 (nine months ended September 30, 2022: $55,070).

(In USD thousands)

	Flight Equipment	Capitalized Maintenance	Rotable Spare parts	Predelivery Payments	Administrative Property	Others	Total
Cost							
December 31, 2022	**$ 2,152,749**	**$ 98,137**	**$ 214,206**	**$ 88,687**	**$ 97,573**	**$ 184,215**	**$ 2,835,567**
Additions	932,694	107,113	44,182	11,882	—	21,589	1,117,460
ROU Return Conditions, net	133,151	—	—	—	—	—	133,151
Disposals	(9,998)	(9,802)	(18,175)	—	—	(18,307)	(56,282)
Revaluation (OCI)	—	—	—	—	27	—	27
Transfers	28,283	2,490	(24,370)	(1,000)	(5,404)	1	—
September 30, 2023	**$ 3,236,879**	**$ 197,938**	**$ 215,843**	**$ 99,569**	**$ 92,196**	**$ 187,498**	**$ 4,029,923**
Accumulated depreciation:							
December 31, 2022	**$ 116,994**	**$ 133**	**$ 10,554**	**$ —**	**$ 1,419**	**$ 34,558**	**$ 163,658**
Additions	237,124	13,065	6,986	—	1,176	16,320	274,671
Disposals	(3,494)	(9,832)	(3,586)	—	—	(11,704)	(28,616)
Transfers	3,012	(2.387)	(630)	—	—	5	—
September 30, 2023	**$ 353,636**	**$ 979**	**$ 13,324**	**$ —**	**$ 2,595**	**$ 39,179**	**$ 409,713**
Net balances:							
December 31, 2022	**$ 2,035,755**	**$ 98,004**	**$ 203,652**	**$ 88,687**	**$ 96,154**	**$ 149,657**	**$ 2,671,909**
September 30, 2023	**$ 2,883,243**	**$ 196,959**	**$ 202,519**	**$ 99,569**	**$ 89,601**	**$ 148,319**	**$ 3,620,210**

(In USD thousands)

(14) Intangible asset and goodwill, net

Intangible assets and goodwill, net of amortization, are as follows:

	September 30, 2023	December 31, 2022
Trademarks	$ 644,141	$ 644,141
Customer Relationships	437,708	457,152
Software and webpages	90,497	100,016
Agreements (Codeshare and Star Alliance)	59,711	65,173
Routes	82,921	92,561
Slots	9,506	9,506
Subtotal	**1,324,484**	**1,368,549**
Goodwill	1,524,638	1,524,638
Total Intangible Assets	**$ 2,849,122**	**$ 2,893,187**

(In USD thousands)

The following provides detail on intangible assets and goodwill as of September 30, 2023:

	Goodwill	Routes	Customer Relationships	Agreements (Codeshare and Star Alliance)	Trademarks	Software & Webpages	Slots	Total
Cost:								
December 31, 2022	**$ 1,524,638**	**$ 106,792**	**$ 485,218**	**$ 73,025**	**$ 644,141**	**$ 135,298**	**$ 9,506**	**$ 2,978,618**
Additions	—	—	—	—	—	14,493	—	14,493
September 30, 2023	**$ 1,524,638**	**$ 106,792**	**$ 485,218**	**$ 73,025**	**$ 644,141**	**$ 149,791**	**$ 9,506**	**$ 2,993,111**
Accumulated Amortization:								
December 31, 2022	**$ —**	**$ 14,231**	**$ 28,066**	**$ 7,852**	**$ —**	**$ 35,282**	**$ —**	**$ 85,431**
Amortization for the period	—	9,640	19,444	5,462	—	24,012	—	58,558
September 30, 2023	**$ —**	**$ 23,871**	**$ 47,510**	**$ 13,314**	**$ —**	**$ 59,294**	**$ —**	**$ 143,989**
Carrying Amounts:								
December 31, 2022	**$ 1,524,638**	**$ 92,561**	**$ 457,152**	**$ 65,173**	**$ 644,141**	**$ 100,016**	**$ 9,506**	**$ 2,893,187**
September 30, 2023	**$ 1,524,638**	**$ 82,921**	**$ 437,708**	**$ 59,711**	**$ 644,141**	**$ 90,497**	**$ 9,506**	**$ 2,849,122**

(In USD thousands)

(15) Debt

	September 30, 2023	December 31, 2022
Current:		
Short-term borrowings and current portion of long-term debt	$ 94,692	$ 80,413
Short-term aircraft rentals - right of use	247,252	126,070
Short-term other rentals - right of use	6,217	6,560
	$ 348,161	**$ 213,043**
Noncurrent:		
Long-term debt	$ 2,272,524	$ 2,306,831
Long-term aircraft rentals - right of use	2,040,476	1,428,632
Long-term other rentals - right of use	47,995	36,329
	$ 4,360,995	**$ 3,771,792**

Terms and conditions of the Group's outstanding obligations for the period ended September 30, 2023, is as follows:

			September 30, 2023	
	Due through	**Weighted average interest rate**	**Nominal Value**	**Carrying Amount**
Long-term debt	2030	9.38%	$ 2,462,535	$ 2,367,216
Aircraft rentals	2035	10.78%	2,496,456	2,287,728
Other rentals	2037	8.02%	54,619	54,212
Total			**$ 5,013,610**	**$ 4,709,156**

			December 31, 2022	
	Due through	**Weighted average interest rates**	**Nominal value**	**Carrying Amount**
Short-term loans	2023	8.51%	$ 6,303	$ 6,303
Long-term debt	2030	8.80%	2,516,402	2,380,941
Aircraft rentals	2034	10.18%	1,675,639	1,554,702
Other rentals	2038	7.16%	44,306	42,889
Total			**$ 4,242,650**	**$ 3,984,835**

(In USD thousands)

Below the detail of the debt balance by type of loan:

	September 30, 2023	December 31, 2022
Corporate	$ 2,367,216	$ 2,387,244
Right of use IFRS 16	2,341,940	1,597,591
	$ 4,709,156	**$ 3,984,835**

Bank guarantees

In order to comply with certain contractual or operating obligations, the Group has a total of $19,658 and $23,556 in guarantees issued through financial entities as of September 30, 2023, and December 31, 2022 respectively.

Future payments on long-term debt

Following are future payments (amounts are gross and undiscounted and include contractual interest payments while excluding the impact of netting agreements).

Corporate debt

	Years					
	One	**Two**	**Three**	**Four**	**Five and later**	**Total**
September 30, 2023	$ 218,211	$ 306,537	$ 198,943	$ 194,227	$ 2,004,503	$ 2,922,421
December 31, 2022	$ 213,361	$ 316,107	$ 233,658	$ 187,727	$ 2,098,438	$ 3,049,291

Aircraft rights of use

	Years					
	One	**Two**	**Three**	**Four**	**Five and later**	**Total**
September 30, 2023	$ 467,843	$ 120,696	$ 461,777	$ 442,493	$ 1,996,181	$ 3,488,990
December 31, 2022	$ 298,499	$ 304,852	$ 310,504	$ 295,411	$ 1,033,413	$ 2,242,679

Other rights of use

	Years					
	One	**Two**	**Three**	**Four**	**Five and later**	**Total**
September 30, 2023	$ 9,046	$ 5,721	$ 5,451	$ 5,034	$ 45,809	$ 71,061
December 31, 2022	$ 3,927	$ 4,999	$ 4,129	$ 3,891	$ 64,072	$ 81,018

(In USD thousands)

Changes in liabilities derived from financing activities as of September 30, 2023

	January 1, 2023	New Loans (1)	New leases (2) & (3)	Financial cost	Payments (4) & (5)	Interest Payments (5)	Others	Reclassifications	September 30, 2023
Short-term loans (excluding items listed below)	$ 6,303	$ —	$ —	$ 76	$ (6,303)	$ (76)	$ —	$ —	$ —
Current portion of long-term credits (excluding items listed below)	74,110	11,500	31,508	164,575	(106,957)	(126,455)	(264)	46,675	94,692
Non-current portion long-term debt	2,306,831	—	—	—	—	—	381	(34,688)	2,272,524
Aircraft rentals– right of use	1,554,702	—	850,310	150,542	(130,560)	(124,798)	(481)	(11,987)	2,287,728
Other rentals – right of use	42,889	—	2,163	4,274	(2,765)	(2,544)	10,195	—	54,212
Total liabilities from financing activities	**$ 3,984,835**	**$ 11,500**	**$ 883,981**	**$ 319,467**	**$ (246,585)**	**$ (253,873)**	**$ 9,831**	**$ —**	**$ 4,709,156**

(1) Corresponds to a new loan, at a fixed rate of 13%, to enable the Group to purchase certain Locations for Passenger Accommodations (LOPA) aligned with the Densification project for $11,500.
(2) The main additions in leases for the nine months ended September 30, 2023, correspond to aircraft rentals for the lease of thirty-five (35) operating aircraft of the families A320 (29) and B787 (6) and three (3) spare engines for a total of $831,201 and additions of incremental rent for a $19,109 and the financial lease of one (1) TRENT 1000-D2 for $31,508.

(3) The additions in other rentals for the nine months ended September 30, 2023, correspond to the new Avianca Hangar, in El Dorado International Airport, lease at a rate of 8.03%.
(4) The difference between these payments and the payments in the Condensed Consolidated Statement of Cash Flows corresponds to non-cash payments in miles for $2,003.
(5) In July 2023, the Company voluntarily prepaid the entire principal and interest balance of $ 54,500 related to the USAVFLOW Facility.

(In USD thousands)

(16) Provisions for return conditions

For certain operating leases, the Group is obligated to return aircraft in a contractually predefined condition. The Group records a provision to account for the cost to be incurred to return said leased aircraft to the lessor in the agreed-upon condition, which is capitalized within the right-of-use asset and recognized as a liability for return condition.

Provisions for return conditions as of September 30, 2023, is as follows:

		September 30, 2023		December 31, 2022
Current	$	7,816	$	5,522
Non-current		740,049		553,986
Total	**$**	**747,865**	**$**	**559,508**

Changes in provisions for return conditions as of September 30, 2023, is as follows:

		September 30, 2023		December 31, 2022
Beginning balance	$	559,508	$	272,817
Recognition of provisions (1)		175,640		223,481
Recovery of provisions (2)		(42,535)		—
Present value adjustment		55,649		63,210
Provisions used		(397)		—
Ending balance September 30, 2023	**$**	**747,865**	**$**	**559,508**

(1) During the nine months ended September 30, 2023, provisions were established for aircraft which continued under this scheme $175,640 (December 31, 2022: $223,481).

(2) Regarding the Total Care and LifeKey agreements entered into by the operating companies, the lessors, and Rolls Royce, the Group will not have any obligation to make lessor maintenance contributions in respect of engine performance restoration for the engines covered by the agreements.

(In USD thousands)

(17) Derivative instruments

Derivatives recognized as hedging instruments.

Financial instruments recognized as hedging instruments at fair value included within other comprehensive income as of September 30, 2023 are as follows:

	September 30, 2023	December 31, 2022
Cash flow hedges - assets		
Fuel price	$ 2,470	$ —
Total	**$ 2,470**	**$ —**

The Group purchases jet fuel on an ongoing basis as its operating activities require a significant ongoing supply of this commodity. The Group has to entered commodity contracts to mitigate jet fuel price volatility while enabling highly probable jet fuel purchase forecasting, aligned with the risk management strategy outlined by the Board of Directors. The contracts are intended to hedge jet fuel price volatility for a period between one and three months based on existing purchase agreements. The Group always designates a qualifying instrument fuel price hedge in its entirety as a hedging instrument.

The Group has designated certain fuel options for third quarter of 2023 as a cash flow hedge for highly probable purchases. The quantity and maturity of fuel options and their corresponding hedged items must remain the same. The Jet Fuel – Jet 54 Gulf Coast (PIPELINE) light, sweet crude oil is the underlying global oil benchmark used for said hedging instrument. The group has determined that there is an economic relationship between the hedged item and the hedging instrument.

The Group performs a qualitative assessment of effectiveness and expects that the value of the fuel options and the value of the corresponding hedged items will systematically change in opposing directions in response to movements in the price of underlying commodity if the price of the commodity increases above the strike price of the derivative.

The primary source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group’s own credit risk on the fair value of the option contracts, which is not reflected in the fair value of the hedged item. The Group has determined that the effect of credit risk does not influence the value changes that result from that economic relationship.

The notional value of derivatives recognized as hedging instruments for the period ended September 30, 2023, is equivalent to 71,612,265 gallons of Jet Fuel – Jet 54 Gulf Coast (PIPELINE). As of December 31, 2022, the Group has no fuel price hedges in place. The following table details the commodity options outstanding at the end of the reporting period, as well as information regarding their related hedged items. Commodity options are reported within the “Deposits and other assets” line within the statement of financial position.

(In USD thousands)

Period		Strike Price Per Unit Gallons	Quantity (gallons)	Initial Carrying amount of the hedging instruments	Change in the fair value of hedging instrument recognized in OCI	Amount from cost of hedging reserve transferred to Losses	Line item in profit or loss in which the transferred amount is included	Carrying amount of the hedging instruments for the period ended September 30, 2023
9/06/2023	9/29/2023	3,25	16,665,414	$ 275	$ -	$ 275	Aircraft fuel	$ -
10/01/2023	10/31/2023	3,25	25,634,174	1,358	481	-	—	877
11/01/2023	11/30/2023	3,25	3,600,000	231	24	-	—	207
11/01/2023	11/30/2023	3,25	25,712,677	1,440	54	-	—	1,386
			71,612,265	**$ 3,304**	**$ 559**	**$ 275**	**Aircraft fuel**	**$ 2,470**

Financial assets and liabilities at fair value through other comprehensive income reflect the change in fair value of fuel price derivative contracts designated as cash flow hedges. Hedged items are designated future purchases deemed as highly probable forecast transactions.

Cash flow hedge liabilities are recognized within other liabilities in the consolidated statement of financial position. As of September 30, 2023, there are no hedging instruments liabilities.

The following table indicates the periods during which the cash flows associated with cash flow hedges are expected to occur, and the fair values of the related hedging instruments on September 30, 2023:

September 30, 2023	**Fair Value**	**1–12 months**	**12–24 months**
Fuel Price			
Assets	$ 2,470	$ 2,470	$ —

(18) Fair value measurements

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of September 30, 2023:

Quantitative disclosures of fair value measurement hierarchy for assets:

	Fair value measurement using			
Assets measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets of the benefits plan	$ —	$ 227,238	$ —	$ 227,238
Fuel price derivatives (note 17)	—	2,470	—	2,470
Airbus aircraft and engines held for sale (note 12)	—	12,076	—	12,076
Investments (note 8)	—	244,381	—	244,381

(In USD thousands)

Revalued administrative property (note 13)	—	—	89,601	89,601

Quantitative disclosures of fair value measurement hierarchy for liabilities:

	Fair value measurement using			
Liabilities measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Liabilities for which fair values are disclosed				
Short–term borrowings and long–term debt	$ —	$ 2,129,561	$ —	$ 2,129,561

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2022:

Quantitative disclosures of fair value measurement hierarchy for assets:

	Fair value measurement using			
Assets measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets of the benefits plan	$ —	$ 161,633	$ —	$ 161,633
Airbus aircraft and engines held for sale (note 12)		16,430	—	16,430
Investments (note 8)	—	44,843	—	44,843
Revalued administrative property (note 13)	—	—	96,154	96,154

Quantitative disclosures of fair value measurement hierarchy for liabilities:

	Fair value measurement using			
Liabilities measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Short–term borrowings and long–term debt	$ —	$ 2,155,750	$ —	$ 2,155,750

Fair values hierarchy

The different levels have been defined as follows:

Level 1 Observable inputs such as quoted prices in active markets.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognized within the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in 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.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(a) The fair value of financial assets which changes in OCI is determined by reference to the present value of future principal and interest cash flows, discounted at a market based on interest rate at the reporting date.

(b) The Group uses the revaluation model to measure the value of its land and buildings, which are comprised of administrative properties. Management has determined that this constitutes one class of asset under IAS 16 based on the nature, characteristics, and risks of the property. Property fair values were determined using market comparable methods. This means that valuations performed by appraisers are based on active market prices, adjusted for differences in the nature, location, or condition of the specific property. The Group engaged accredited independent appraisers to determine the fair value of its land and buildings.

(In USD thousands)

The following table shows the valuation technique used to measure the fair value of the administrative property as well as the unobservable investment used.

Valuation technique and significant unobservable entries

September 30, 2023		
Country	**Valuation technique**	**Significant unobservable entries (In dollars)**
El Salvador	The criteria for valuing the assets object of this offer were the fair value defined by IFRS (international financial reporting standards), as the value that corresponds to the price that would be received for selling an asset or paid to transfer a liability in a transaction, tender, orderly and mutual among duly informed market participants and on a specific date.	Square meter prices: $21 (December 31, 2022: $21,49). Monthly rental value of the entire building: $181,850 (December 31, 2022: $181,850.19)
Colombia	Market comparison approach: a method of assessing property by analyzing the prices of similar properties sold in the past and then making adjustments based on differences between the properties and the relative age of the other sale.	Expected market rental growth: 5% (December 31, 2022: 5%). Appreciation or depreciation of the Colombian peso against the US dollar: 20% (December 31, 2022: 21%)

(19) Income tax expense and other taxes

	September 30, 2023	December 31, 2022
Current income tax – assets	$ 173,909	$ 83,637
Current VAT – assets	42,158	85,821
Other current taxes	11,986	6,797
Total tax – assets	**$ 228,053**	**$ 176,255**
Current income tax – liabilities	**$ (37,763)**	**$ (10,103)**

(In USD thousands)

Income tax expense for the nine-month period ended September 30, 2023, is comprised of the following:

Consolidated statement of comprehensive income

		For the nine months ended September 30, 2023		Fort the nine months ended September 30, 2022
Current income tax:				
Current income tax charge	$	(30,095)	$	(28,445)
Deferred tax expense:				
Relating to origination and reversal of temporary differences		22,184		(754)
Income tax expense reported in the income statement	$	**(7,911)**	$	**(29,199)**

In addition to the amount charged to income or loss, the following amounts relating to tax have been recognized in other comprehensive income:

		Fort the nine months ended September 30, 2023		For the nine months ended September 30, 2022
Items that will not be reclassified to income or loss in future periods - Remeasurements of defined benefit	$	1,716	$	(1,545)

Changes in deferred tax assets and deferred tax liabilities

Deferred tax assets		
As of December 31, 2022	$	**27,397**
Recognized in income and loss		12,128
Recognized in other comprehensive income		1,710
Exchange differences		185
As of September 30, 2023	**$**	**41,420**

Deferred tax liabilities		
As of December 31, 2022	**$**	**155,681**
Recognized in profit and loss		(10,056)
Recognized in other comprehensive income		(6)
Exchange differences		(837)
As of September 30, 2023	**$**	**144,782**

(In USD thousands)

Reconciliation of the Tax Rate in accordance with the Tax Provisions and the Effective Rate:

The consolidated income (loss) before income tax amounted to $100,344 for the nine-month period ended September 30, 2023 (nine months ended September 30, 2022: $286,620) and the income tax expense amounted to $7,911 (nine months ended September 30, 2022: $29,199). The effective tax rate for the period nine months ended September 30, 2023, was 7.9% (nine months ended September 30, 2022: 10.2%), decreasing the income. The corporate income tax rate in Colombia during the nine months ended September 30, 2023, was 35% (nine months ended September 30, 2022: 35%). The difference between the corporate income tax rate and the effective tax rate is generated by subsidiaries with net losses in some jurisdictions in which deferred tax assets are not recognized due to the fact that it is not probable that taxable incomes will be available against which the deductible temporary differences can be utilized.

Taxation for the different jurisdictions is calculated at the rates prevailing in the respective jurisdiction, as follows:

Country	Applicable tax rate
Colombia	35%
United Kingdom (*)	19%
Brazil	15%
Chile	27%
Costa Rica	30%
Ecuador	28%
El Salvador	30%
Guatemala	25%
Honduras	25%
México	30%
Nicaragua	30%
Panamá	25%
United States	21%

(*) Profit on ordinary activities at the standard rate of corporation tax at the legal entity level in the UK is 19%. The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate in the United Kingdom from 19% to 25% with effect on April 1, 2023.

Uncertainty over income tax treatments

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessments of many factors, including interpretations of tax law and prior experience. There are no uncertainties over income tax treatments with adverse impacts for the Group identified in the assessments performed.

Global minimum top-up tax

On October 8, 2021, 136 countries reached an agreement for a two-pillar approach to international tax reform. Specifically, Pillar Two Global Anti-Base Erosion Rules propose four new taxing mechanisms under which multinational enterprises would pay a minimum level of tax: the subject to tax rule, a tax treaty-based rule that generally proposes a minimum tax on certain cross-border intercompany transactions that otherwise are not subject to a minimum level of tax; the income inclusion rule; the undertaxed payments rule; and the qualified domestic minimum top-up tax, which generally propose a minimum tax on the income arising in each jurisdiction in which the Group operates. The implementation of these new rules in the UK is expected from January 2024.

(In USD thousands)

The Group operates in several jurisdictions, but it has been determined that the UPE (Ultimate Parent Entity) is located in the UK. The UK has yet to enact legislation to implement the global minimum top-up tax. Nevertheless, the Group has already started the analysis of its impact focusing primarily on Costa Rica where the Lifemiles business is subject to tax at a statutory rate of 0%. However, and as indicated before, since legislation has not been enacted there is no current tax impact in the period ended 30 September 2023.

Regarding the amendments to IAS 12 (International Tax Reform-Pillar Two Model Rules), since no new legislation to implement the top-up tax was enacted or substantially enacted at 31 December 2022 in any of the jurisdictions where the Group operates, no related deferred taxes were recognized at that date, hence the retrospective application has no impact on the Groups interim financial statements.

(20) Provisions for legal claims

As of September 30, 2023, the Group has been involved in various lawsuits and legal actions that arise through normal commercial activities. Of the total lawsuits and legal actions, Management has calculated a probable and eventual (per Business Combination) loss of $39,025 as of September 30, 2023 (December 31, 2022: $47,124). These lawsuits are reflected in the condensed consolidated interim financial statements position under the "Provision for Legal Claims" section.

Changes in litigation provisions during the nine-month periods ended September 30, 2023, is as follows:

	September 30, 2023	December 31, 2022
Balances at the beginning of the period	$ 47,124	$ 56,278
Provisions constituted	2,887	10,756
Provisions reverse (1)	(5,490)	(12,892)
Lawsuits deposits	(1,655)	(5,435)
Provisions used	(3,841)	(1,583)
Balances at the end of the period	**$ 39,025**	**$ 47,124**

(1) Corresponds mainly to changes in probabilities of contingent liabilities of labor lawsuits.

Certain processes are contingent liabilities and are therefore classified as potential future obligations and are subsequently categorized as possible. Based on plaintiffs' claims for the periods ended September 30, 2023, these contingencies totaled $175,040 (December 31, 2022: $163,155). Certain losses that could arise from these litigations will be covered by insurance or with funds provided by third parties. The judicial processes resolved with said forms of payment are estimated at $15,592 as of September 30, 2023 (December 31, 2022: $16,447).

In accordance with IAS 37, the processes that the Company considers as representing an insubstantial risk are not included within the Consolidated Statements of Financial Position.

Internal investigations to determine whether we may have violated the U.S. Foreign Corrupt Practices Act and other laws

In August 2019, Avianca Holdings S.A. (former parent of the Avianca group) disclosed that it had discovered a business practice whereby employees, including members of senior management, as well as certain members of Avianca's board of directors, provided 'things of value' to government employees in certain countries which, based on its understanding, were limited to free and discounted airline tickets and upgrades. Avianca commenced an internal investigation and retained reputable external counsel as well as a specialized forensic investigatory firm to determine whether this practice may have violated the FCPA or other potentially applicable U.S. and non-U.S. anti-corruption laws. In 2018, Avianca revised its policies to prevent said practices from reoccurring. This included limiting the number of persons at Avianca authorized to issue free and discounted airline tickets and upgrades and requiring additional internal approvals. In August 2019, Avianca voluntarily disclosed this investigation to the U.S. Department of Justice, the U.S. Securities and Exchange Commission (the "SEC"), and the Colombian Financial Superintendence.

In September 2019, the Colombian Superintendence of Companies (the "CSC") inspected Avianca's Bogota offices. In February 2020, the Office of the Attorney General of Colombia served Avianca with a warrant to inspect its offices in order to collect information related to the CSC's preliminary investigation. The CSC sent several requests of information that were timely responded by Avianca.

On May 28, 2021, the SEC informed Avianca that it had "concluded the investigation as to Avianca Holdings S.A." and "does not intend to recommend an enforcement action by the Commission against Avianca Holdings S.A."

To Avianca's knowledge and as of the date hereof, the CSC's preliminary investigation described above has not resulted in the opening of a formal investigation. Moreover, Avianca is of the view that the CSC is time-barred from commencing a formal investigation proceeding and should have closed the preliminary investigation, pursuant to applicable law. Formally, no employee or manager related to Avianca has been linked to any investigations conducted by the Colombian authorities in connection with those practices.

Avianca has presented itself as an injured party before the OAG and has not been formally recognized as such, since this is done at the indictment hearing, in the event of reaching such instance. The OAG has not expressly commented on the company's status as an injured party.

Internal Investigation regarding potential impacts at the group due to corrupt business practices at Airbus

In January 2020, Airbus, the Company's primary aircraft supplier, entered into a settlement with authorities in France, the United Kingdom and the United States regarding corrupt business practices.

Airbus' settlement with French authorities references a possible request by an Avianca "senior executive" in 2014 for an irregular commission payment, which was ultimately not made. As a result of the foregoing, Avianca voluntarily conducted an internal investigation to analyze its commercial relationship with Airbus and to determine if it was the injured party of any improper or illegal acts. This internal investigation was disclosed to the U.S. Department of Justice and to the SEC as well as the Colombian Superintendence of Industry and Commerce and the Office of the Attorney General of Colombia.

To the Company's knowledge and as of the date hereof, the Office of the Attorney General of Colombia and the Superintendence of Industry and Commerce are conducting preliminary investigations, in which they have requested information from the Company, which, as usual, has been provided under the principle of active collaboration with authorities. Formally, no employee or collaborator related to the company has been linked to the investigations conducted by the Colombian authorities.

The Company has presented itself as an injured party to the Attorney General's Office. Formal recognition as an injured occurs at the indictment hearing if it is reached.

SIC investigation into the acquisition of the Airlines Viva

On December 19, 2022, Colombian Superintendency of Industry and Commerce notified the opening of an investigation against the Colombian airline (i.e., Aerovías del Continente Americano S.A. Avianca) ("Avianca") for alleged gun jumping with regards to the acquisition of economic rights of the Viva airlines which was completed in April 2022 (excluding political rights which were isolated through a trust structure and granted to an independent third party).

The Superintendency argues that the (i) acquisition of economic rights of Viva by Investment Vehicle 1 Limited entails – in and of itself – the acquisition of control, and, thus, required clearance by the Aerocivil; and (ii) separation of political and voting rights is not real.

Remedies for the investigation to be dismissed were offered on January 16, 2023, and defense arguments were filed on January 17, 2023 arguing that (a) the deal was structured on the basis of the hold separate theory that is expressly allowed per Colombian merger control regulations and has been consistently recognized by antitrust authorities worldwide; and (b) there is evidence of the fact that the airlines have been acting independently, and have not incurred in any collusion or coordination activities.

On May 2, 2023, the Superintendency of Industry and Commerce notified Avianca of the dismissal of the investigation subject to some remedies different to those initially offered by Avianca. On May 16, 2023, Avianca filed a remedy of reconsideration requesting some adjustments to the remedies imposed by the Superintendency (the "Remedy").

On August 23, 2023, the Superintendency of Industry and Commerce notified Avianca of the final and non-appealable decision with respect to the acceptance of the remedies offered by Avianca. Consequently, the investigation has been terminated (the "Final Decision"). On, or around September 7, 2023, as per the Final Decision, Avianca, implemented most of the remedies, including but not limited to: (a) a corporate reorganization with respect to the economic rights of the Viva entities and the shares and economic rights of Rexton Enterprises, S.A.; and (b) a passengers protection plan by providing flight services to customers of the former airline Viva Air until September 2024, under certain specific conditions.

(In USD thousands)

(21) Future aircraft leases payments

The Group has one hundred fifty-three (153) aircraft that are under operating leases for an average lease term of 74 months. Operating leases can be renewed, in accordance with the Administration's business plan. The following is the summary of the future commitments of operating leases:

	Aircraft
Less than one year	$ 458,944
Between one and five years	1,405,487
More than five years	1,545,191
	$ 3,409,622

Under IFRS 16, those leases that are legally denominated operative are recorded within the Consolidated Statement of Financial Position as part of ownership of plant and equipment as flight equipment as well as the recognition of the related financial liability that represents the present value of the minimum payments of the lease contract.

Avianca Group International has twenty-five (25) spare engines that are under operating leases to support its aircraft fleet of A320, B787, A300 and B767 Families. The following is the summary of the future commitments of operating leases:

	Spare Engines
Less than one year	$ 8,899
Between one and five years	23,837
More than five years	46,632
	$ 79,368

The value of payments recognized as expenses during the nine months ended September 30, 2023:

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Leases minimum payments	$ 91,044	$ 190,536

(In USD thousands)

(22) Acquisition of aircraft

In accordance with the agreements in effect, future commitments related to the acquisition of aircraft and engines as of September 30, 2023, are as follows:

	Less than one year	1-3 years	3-5 years	More than 5 years	Total
Aircraft and engine purchase commitments	$ 82,223	$ 1,057,795	$ 1,777,811	$ 1,984,828	$ 4,902,657

Amounts disclosed reflect certain discounts negotiated with suppliers as of the balance sheet date, which discounts are calculated on highly technical bases and are subject to multiple conditions and constant variations. Among the factors that may affect discounts are changes in our purchase agreements, including order volumes.

The Group plans to finance the acquisition of the commitments acquired with the resources generated by the Group and the financial operations that can be formalized with financial entities and aircraft leasing companies.

(23) Operating Revenue

Operating revenues for the nine months ended September 30, 2023, is as follows:

	For the nine months ended September 30,				For the three months between July 1 and September 30,			
	2023	**%**	**2022**	**%**	**2023**	**%**	**2022**	**%**
Domestic								
Passenger	$ 1,253,274	36%	$ 1,179,047	39%	$ 477,787	37%	$ 452,594	40%
Ancillaries	360,614	10%	135,536	5%	130,440	10%	54,956	5%
Cargo	268,143	8%	287,511	10%	77,294	6%	93,730	8%
	1,882,031	**54%**	**1,602,094**	**54%**	**685,521**	**53%**	**601,280**	**53%**
International								
Passenger	1,021,169	29%	878,235	30%	389,836	31%	359,101	32%
Ancillaries	297,631	9%	92,916	3%	116,742	9%	42,211	4%
Cargo	241,560	7%	328,901	11%	76,230	6%	110,216	10%
	1,560,360	**45%**	**1,300,052**	**44%**	**582,808**	**46%**	**511,528**	**46%**
Other (1)	40,945	1%	60,374	2%	13,154	1%	15,765	1%
Total	**$ 3,483,336**	**100%**	**$ 2,962,520**	**100%**	**$ 1,281,483**	**100%**	**$ 1,128,573**	**100%**

(In USD thousands)

(1) Other operating income

	For the nine months ended September 30,		For the three months between July 1 and September 30,	
	2023	**2022**	**2023**	**2022**
Frequent flyer program	$ 21,821	$ 24,125	$ 6,375	$ 7,051
Ground operations (a)	4,615	9,970	1,343	3,756
Maintenance	6,283	6,043	1,301	(384)
Leases	1,599	513	197	163
Interline	40	69	16	29
Other (b)	6,587	19,654	3,922	5,150
	$ 40,945	**$ 60,374**	**$ 13,154**	**$ 15,765**

(a) Group provides services to other airlines at main hub airports.

(b) Corresponds primarily to income derived from upgrades, commercial commissions, and additional services.

(24) Revised of Condensed Consolidated Statement of Comprehensive Income and Cash Flows

Within the process of reviewing the figures to the financial statements, prospective adjustments were made that were included in the Consolidated Statement of Financial Position, which for purposes of comparison of the interim financial statements, it is considered to restate the unaudited Consolidated Statement of Financial Position, for the nine-month period ended September 30, 2022.

The impact in the Consolidated Statement of Financial Position as of September 30, 2022 is as follows:

Consolidated Statement of Financial Position

	As previously reported September 30, 2022	Adjustment	September 30, 2022, Revised
Assets			
Current assets:			
Cash and cash equivalents	$ 744,030	$ —	$ 744,030
Restricted cash	36,935	—	36,935
Short term investments	44,793	—	44,793
Accounts receivable, net	235,966	—	235,966
Current tax assets	198,240	—	198,240
Expendable spare parts and supplies, net	102,536	—	102,536
Prepayments expenses	28,033	—	28,033
Deposits and other assets	22,050	—	22,050

(In USD thousands)

	1,412,583	—	**1,412,583**
Assets held for sale	13,441	—	13,441
Total current assets	**1,426,024**	—	**1,426,024**
Non-current assets:			
Deposits and other assets	77,673	—	77,673
Accounts receivable from related parties	101,199		101,199
Intangible	2,950,805	—	2,950,805
Net defined benefit asset	57,126	—	57,126
Deferred tax assets	39,370	(2,345)	37,025
Property and equipment, net	2,876,138	51,096	2,927,234
Total non-current assets	**6,102,311**	**48,751**	**6,151,062**
Total assets	**$ 7,528,335**	**$ 48,751**	**$ 7,577,086**
Liabilities and equity			
Current liabilities:			
Loans and current portion of long-term debt	$ 290,916	$ —	$ 290,916
Accounts payable	463,214	—	463,214
Accounts payable to related parties	91	—	91
Accrued expenses	38,775	—	38,775
Current tax liabilities	30,653	—	30,653
Provision for legal claims	54,465	—	54,465
Employee benefits	70,673	—	70,673
Air traffic liability	630,783	—	630,783
Frequent flyer deferred revenue	138,079	—	138,079
Other liabilities	16	—	16
	1,717,665	—	**1,717,665**
Debt – assets help for sale	6,250	—	6,250
Total current liabilities	**1,723,915**	—	**1,723,915**
Long-term debt	3,623,676	—	3,623,676
Provision for return conditions	746,875	—	746,875
Employee benefits	29,995	—	29,995
Deferred tax liabilities	324,530	4,462	328,992
Frequent flyer deferred revenue	238,551	—	238,551
Other liabilities	918	—	918
Total non-current liabilities	4,964,545	4,462	4,969,007
Total liabilities	**$ 6,688,460**	$ **4,462**	**$ 6,692,922**
Equity:			
Common shares	$ 4	—	$ 4

(In USD thousands)

Additional paid-in capital	1,145,962	—	1,145,962
Retained earnings	(368,142)	44,289	(323,853)
Other comprehensive income	52,682	—	52,682
Total equity attributable to AGIL	**830,506**	**44,289**	**874,795**
Non-controlling interest	9,369	—	9,369
Total liabilities and equity	**$ 7,528,335**	**$ 48,751**	**$ 7,577,086**

Within the process of reviewing the figures to the financial statements, prospective adjustments were made that were included in the accumulated results for the year ended December 31, 2022, which for purposes of comparison of the interim financial statements, it is considered to restate the unaudited statement of income for the nine-month period ended September 30, 2022, and three-month period from July 1 to September 30, 2022.

The impact in the income statement for the nine-month period ended September 30, 2022 is as follows:

Condensed Consolidated Statement of Comprehensive Income

	As previously reported for the nine months ended September 30, 2022	**Adjustment**	**For the nine months ended September 30, 2022, Revised**
Operating revenue:			
Passenger	$ 2,285,734	$ —	$ 2,285,734
Cargo and other	676,786	—	676,786
Total operating revenue	**2,962,520**	—	**2,962,520**
Operational expenses:			
Flight operations	55,954	—	55,954
Aircraft fuel	1,100,570	—	1,100,570
Ground operations	298,375	—	298,375
Rentals	190,536	—	190,536
Passenger services	69,049	—	69,049
Maintenance and repairs	129,229	—	129,229
Air traffic	130,135	—	130,135
Selling expenses	236,263	—	236,263
Salaries, wages, and benefits	320,913	—	320,913
Fees and other expenses	189,601	—	189,601
Depreciation, amortization **(1)**	286,194	(51,096)	235,098
Total operating expenses	**3,006,819**	**(51,096)**	**2,955,723**
Operating Loss (income)	**(44,299)**	**51,096**	**6,797**
Interest expenses	(298,072)	—	(298,072)

(In USD thousands)

Interest income	8,808	—	8,808
Other financial income	(11)	—	(11)
Foreign exchange, net	(4,563)	—	(4,563)
Equity method income	421	—	421
Loss before income tax	**(337,716)**	**51,096**	**(286,620)**
Income tax expense – current	(28,445)	—	(28,445)
Income tax expense – deferred **(2)**	6,053	(6,807)	(754)
Total income tax expense	(22,392)	(6,807)	(29,199)
Net loss for the period from continuing operations	**(360,108)**	**44,289**	**(315,819)**
Discontinuing operations			
Profit from discontinuing operations	3,257	—	3,257
Net loss for the period	**$ (356,851)**	**$ 44,289**	**$ (312,562)**

The impact in the income statement for three-month period ended September 30, 2022, is as follows:

Condensed Consolidated Statement of Comprehensive Income

	As previously reported from July 1 to September 30, 2022	**Adjustment**	**From July 1 to September 30, 2022, Revised**
Operating revenue:			
Passenger	$ 908,862	$ —	$ 908,862
Cargo and other	219,711	—	219,711
Total operating revenue	**1,128,573**	—	**1,128,573**
Operational expenses:			
Flight operations	18,796	—	18,796
Aircraft fuel	393,296	—	393,296
Ground operations	100,677	—	100,677
Rentals	41,622	—	41,622
Passenger services	25,067	—	25,067
Maintenance and repairs	49,125	—	49,125
Air traffic	45,034	—	45,034
Selling expenses	84,719	—	84,719
Salaries, wages, and benefits	101,599	—	101,599
Fees and other expenses	69,273	—	69,273
Depreciation, amortization, and impairment **(1)**	109,377	(4,434)	104,943
Total operating expenses	**1,038,585**	**(4,434)**	**1,034,151**
Operating Loss	**89,988**	**4,434**	**94,422**
Interest expenses	(106,012)	—	(106,012)
Interest income	3,595	—	3,595

(In USD thousands)

Other financial income	(11)	—	(11)
Foreign exchange, net	(3,543)	—	(3,543)
Equity method income	—	—	—
Loss before income tax	**(15,983)**	**4,434**	**(11,549)**
Income tax expense – current	978	—	978
Income tax expense – deferred **(2)**	2,720	(2,269)	451
Total income tax expense	3,698	(2,269)	1,429
Net loss for the period from continuing operations	**(12,285)**	**2,165**	**(10,120)**
Discontinuing operations			
Loss from discontinuing operations	1,979	—	1,979
Net loss for the period	**$ (10,306)**	**$ 2,165**	**$ (8,141)**

(1) In the fourth quarter of 2022, the Group changed the estimate to measure the useful life and recognized depreciation in accordance with the fixed rental payments agreed in the contracts under the operating lease. In conclusion, this adjustment is being included for presentation purposes in the third quarter of 2022.

This change represents an increase in property and equipment as of September 30, 2022, which are already included cumulatively as of December 31, 2022.

(2) In the fourth quarter of 2022, the Group refreshed deferred tax because of the review of temporary differences in property, and equipment, right of use assets, intangible assets, inventories, and goodwill.

This change represents a decrease in deferred tax liabilities as of September 30, 2022, which are already included cumulatively as of December 31, 2022.

Condensed Consolidated Statement of Cash Flows

	As previously reported September 30, 2022	**Adjustment**	**September 30, 2022, Revised**
Net cash provided by operating activities	$ 86,126	$ (64,710)	$ 21,416
Net cash provided by investing activities	81,953	10,025	91,978
Net cash used in financing activities	(616,158)	—	(616,158)
Net decrease in cash and cash equivalents	**(448,079)**	**(54,685)**	**(502,764)**
Exchange rate effect on cash	746	—	746
Cash on deconsolidation of subsidiary	(6,352)	6,352	—
Cash and cash equivalents and restricted Cash at the beginning of the period	1,201,759	81,224	1,282,983
Cash and cash equivalents	**$ 748,074**	**32,891**	**780,965**
Restricted cash	(4,044)	4,044	—
Cash and cash equivalents at the end of the period	**$ 744,030**	**$ 36,935**	**$ 780,965**

For the nine months ended September 30, 2022, the adjustments correspond to the opening balance for presentation of the restricted cash and cash and cash equivalents disposed for $6,352, fuel hedging paid for

$9,999, interest received for $6,378 and provision for expandable spare parts and suppliers' obsolescence for $968.

(25) Subsequent Events

There have been no post-balance sheet events that have occurred since the balance sheet date that would require disclosure in or amendment of these financial statements.

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