



ANNUAL REPORT 2020 AVIANCA HOLDINGS S.A.



The year when we discovered together that we can keep on flying even while grounded and that we'll always have a reason to spread our wings again.



2020 has undoubtedly been “A Tale of Two Cities” for almost all of us, it certainly was for the aviation industry and Avianca. After ending 2019 on a high, having successfully concluded our restructuring, celebrating our 100-years anniversary, we were all full of energy to make 2020 our best year ever. And, in fact, the first months of 2020 were very positive; we continued executing on the Avianca 2021 transformation plan, making solid progress in achieving the operational, people and financial goals. And that was precisely the moment when COVID-19 spread from one country to the next.

As governments shut down our markets one by one, we were forced to ground our passenger operations, but we did not stand idly by. We operated more than 500 humanitarian flights and brought home around 53,000 people. And, thanks to the agility of our cargo team, we expanded our horizons to destinations we had never been before such as Shanghai, Zurich, Vienna, Amsterdam and Atlanta, and operated new routes such as Bogota-Toronto and Bogota-Houston, using not only our cargo fleet but also some Boeing 787 passenger aircraft, which were specially outfitted for these missions.

Also, we worked on how our aircraft, passengers and crews could safely return to the skies. We immediately reinforced our security protocols, adapting them to the new reality in order to guarantee a safe restart of operations, and we achieved certification for these protocols by the authorities and official bodies in our main markets, with 100% ratings. We also launched our Avianca BioCare program, which has become one of the most valued attributes by our customers and implemented protection policies that allow them to have some certainty and flexibility to make changes in their itineraries without penalties. We also strengthened our information channels and self-management tools to facilitate the service.

In May, we announced that we would enter into a voluntary reorganization process under Chapter 11 of the U.S. Bankruptcy Code in order to maintain and protect the airline's operations with three main objectives: preserve operations, protect as many jobs as possible, and restructure the company's balance sheet and liabilities. Thanks to the relentless work of our Finance team, we were able to count on the support of close to 100 investors and obtained the court approval of our Debtor-in-Possession (DIP) financing structure for a total of USD \$2 billion.

On the human talent front, we successfully closed historic labor agreements with the pilots and crew members' unions; in the case of the Colombian Association of Civil Aviators (ACDAC) a deal was reached for the first time in 11 years, and with the Colombian Association of Flight Attendants (ACAV), for the first time in 15 years. But not only with them; we also signed important long-term agreements with the Avianca Pilots Association -ADPA, the Avianca Aviators Organization -ODEAA-, and pilots who do not belong to any association also voluntarily adhering to it. All of them, fully committed to face the challenges of COVID-19 as one team.

In terms of sustainability, we were included well into the top 10 of most sustainable airlines in the Dow Jones Sustainability Index for the fourth consecutive year. And in our environmental management, we were able to offset 200,000 tons of CO2, through the purchase of carbon credits, which is equivalent to 64.17% of the emissions generated by domestic operations in Colombia and 10.1% of those generated by the Holding company. The remaining percentage of emissions was subject to different economic measures. In such regard and within our sustainable management's framework, I reiterate our commitment to the United Nations Global Compact in its 4 principal areas: Human rights, labor, environment and anti-corruption.

Having been in business for more than 100 years makes us an example of resilience. What we learned last year is that we are capable of much more than we had imagined. We now look to the future with optimism, with an even stronger relationship with our partners and employees and with the assurance that -as a team- we will give our all to move forward. Our commitment now is to reinvent ourselves to be more competitive, cost efficient and to keep connecting the Americas.



Anko van der Werff
CEO Avianca Holdings

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01 | About us



GRI 102-5;

Avianca Holdings S.A. is a private stock company (anonymous company), incorporated under the laws of the Republic of Panama. It is listed in the security market of Colombia and up to June 2020, it was listed in the security market of the United States and is subject to control by the Financial Superintendence of Colombia, pursuant to the terms of Law 964/2005, and subject to the 1933 Securities Act and its amendments, the 1934 Securities Exchange Act and its amendments, as well as to control by the Securities and Exchange Commission (SEC) and to applicable provisions of the 2002 Sarbanes- Oxley Act and the rules of the New York Stock Exchange (NYSE).



GRI 102-1; 102-2

We are a Holding Company that incorporates service companies and airlines, with investments mainly in passenger airlines, cargo airlines, a loyalty program and other activities related to tourism, engineering, maintenance and specialized maintenance services.

We are the only airline to have flown uninterrupted for more than 100 years, connecting the greatness of Latin America with the world. Our strong presence in the Andean and Central American regions enables us to consolidate regional passenger traffic at our Hubs and offer connectivity to international destinations, making us a leader in terms of passenger transport from our domestic markets to North and South America.

We operate an extensive route network from our two (2) Hubs in Colombia, and El Salvador (plus strong focus markets of Costa Rica and Ecuador). We offer passenger services to 65 destinations in 22 countries. Our code-sharing partnerships, along with our Star Alliance membership, provide our customers access to a global network of 1,317 destinations in 195 countries.




Mission

We connect the world with Latin America, always striving to do more



Vision

With the best people and the best technology for an exceptional experience, we will be the preferred Latin American airline in the world

 **GRI 102-7; 102-2, 102-6**



Our team includes:
13,894 people in 24 countries



More than 7 million
transported passengers



More than 510 .000
of cargo carried

Business lines		
Passenger transportation	Cargo and courier	Loyalty Program
<ul style="list-style-type: none"> • Passenger transport, measured in RPKs (revenue passenger kilometers) decreased by 76% • Capacity, measured in ASKs (available seat kilometers) decreased by 73.6 % • Load factor 74.1 % 	<ul style="list-style-type: none"> • -24.42% variation in available tons per kilometer flown ATK (-67% Bellies, +18% Freighters) • -9.85% variation in revenue per ton kilometer flown- RTK (-69% Bellies, +28% Freighters) • 68.6% Load Factor- LF (41% Bellies, 76% Freighters) 	<ul style="list-style-type: none"> • Our loyalty program has more than 10 million members • +560,000 active co-branded credit cards

Market share¹

Avianca market share in our main markets was:

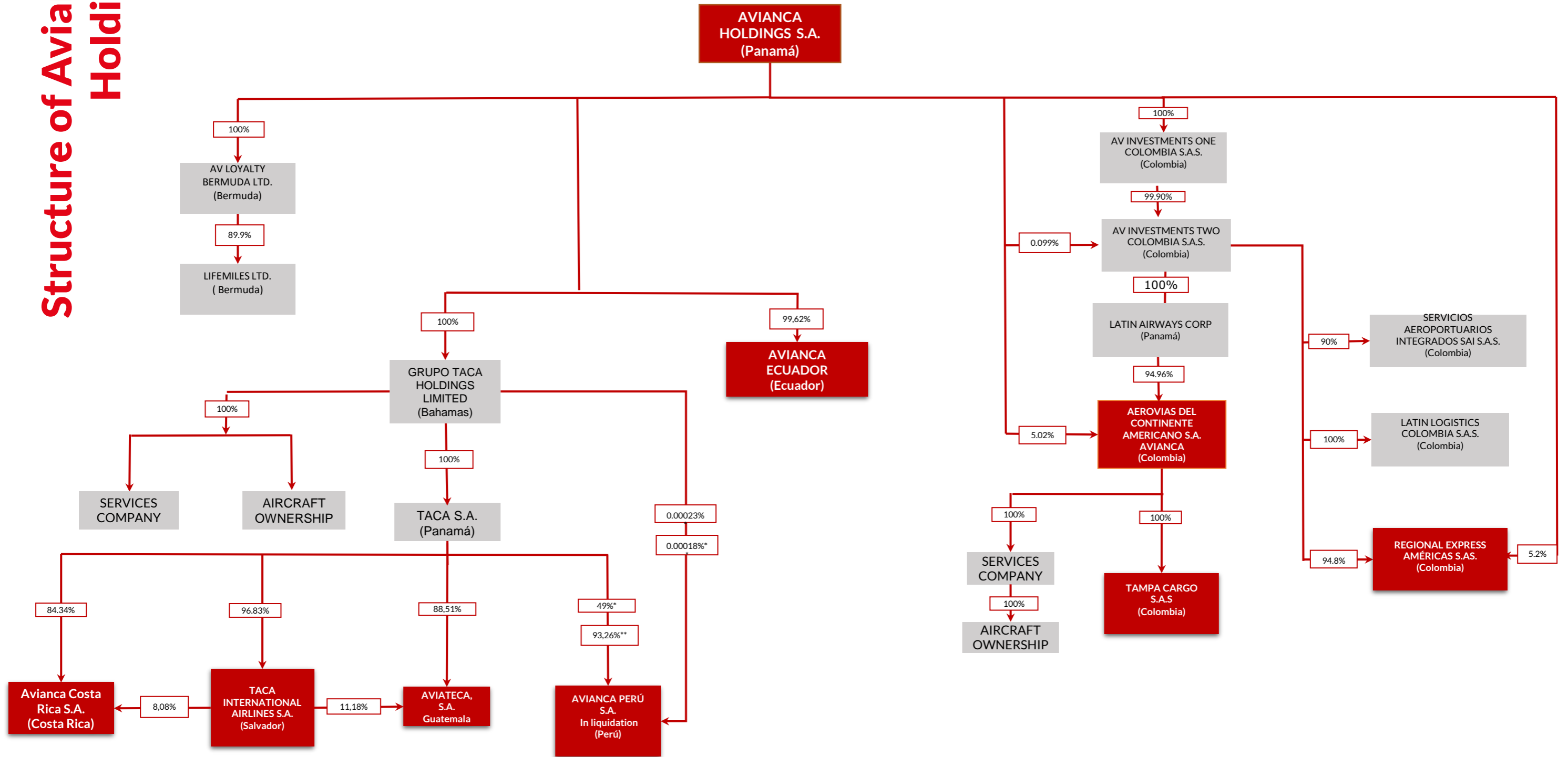
- Domestic Colombia: 46.51%
- International to/from Colombia: 41.02%
- Domestic Ecuador: 35.83%
- Intra Central America: 57.43%

Avianca occupies the first position in these markets, except for Domestic Ecuador, where we are second.

1. Source: Aerocivil Colombia, DDS, MIDT

Structure of Avianca Holdings

Structure of Avianca Holdings S.A.



Our plan 2020-2021

2020 was a year designed to execute the plan Avianca 2020-2021, designed in 2019 as part of the most ambitious transformation plan Avianca had gone through up until that year, focused in migrating from a growth-oriented strategy to one that would focus on profitability. We were outperforming through February 2020 with more efficient cost structure which yielded improved profitability in January and February. However, the COVID-19 pandemic dramatically impacted the airline industry and ultimately our business and outlook, given the world-wide travel restrictions and commercial aviation shutdown in all the regions we operate in as of March 2020.

With this scenario ahead and a year with high financial impacts for airlines all around the world given slow demand recovery and air travel forecasts being downgraded overtime, Avianca decided to file for Chapter 11 protection in May 2020, under New York law in order to restructure the company and strive for 100 years more of service.

The Chapter 11 process will accelerate progress towards the objectives of the prior Avianca 2021 plan under these key pillars: right-size fleet and reduce complexity, reset key contracts to market terms, expand profit margins, improve liquidity, and reduce leverage.

Our renewed strategy, as a response to the challenging world-wide situation driven by COVID-19, addresses firstly and foremost efficiency in costs, a renewed network and a product adjusted to biosafety standards and new post pandemic ways of flying.

Right Side flip and reduce complexity

Reject aircraft to optimize fleet for future network

Reset key contracts to market terms

Assume / reject contracts, and renegotiate terms as needed

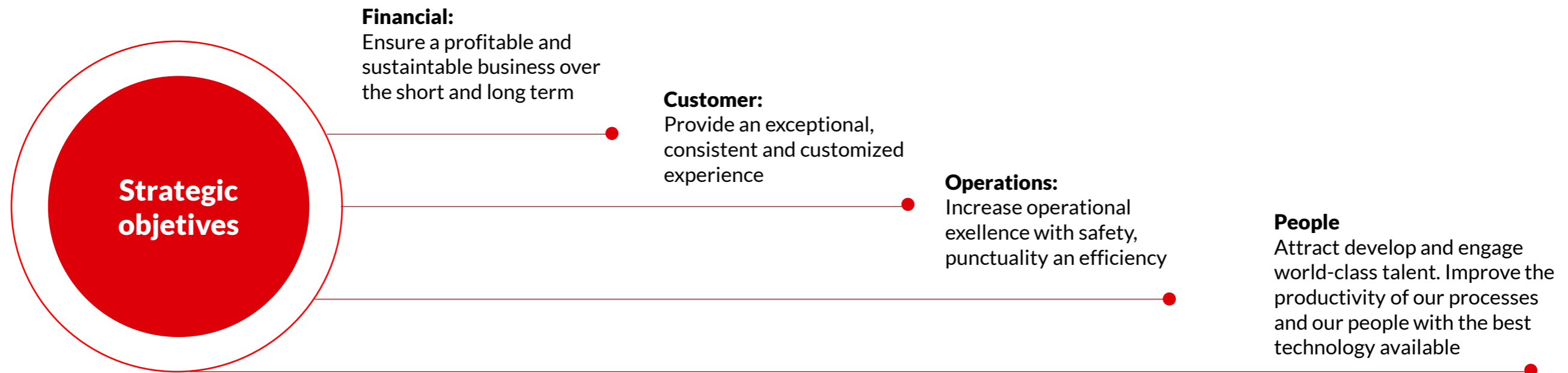
Expand profit margins

Right-size the company's footprint, and establish variable cost structures

Improve liquidity and reduce leverage

Restructure company debit

Strategic Objectives

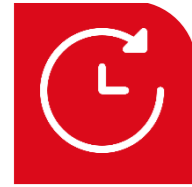




Strategic initiatives

In order to adapt to a new normal and set the foundations for our “Avianca going forward strategy”, in 2020 we developed the following initiatives and achieved key milestones for business continuity:

Financial transformation	Operations	Customer	People
<p>Finance</p> <ul style="list-style-type: none"> The Company initiated a restructuring under Chapter 11 of the U.S. Bankruptcy Code, allowing for an orderly court-supervised process to reorganize the business while adjudicating claims of creditors, lessors, OEMs and vendors. <p>Routes and fleet</p> <ul style="list-style-type: none"> Design and implement wind down and ramp up network and fleet plans, vis à vis the new reality during and post COVID-19. <p>Branded fares, Implementation of Economy Plus and digital channels</p> <ul style="list-style-type: none"> Increase revenues through customization and the increase in Ancillary Revenues. <p>Implement SAP for the Holding</p> <ul style="list-style-type: none"> Integrate Avianca’s processes under one single ERP system (Enterprise Resource planning), covering 148 processes, 11 airlines, 86 branches, 120 companies and 32 countries. 	<p>Operations significant improvement Pre- COVID</p> <ul style="list-style-type: none"> 53K flights operated from January through March 2020 with 81.7% OTP (On-Time-Performance) and 98.5% Schedule completion. <p>Cargo operations during COVID Pandemic</p> <ul style="list-style-type: none"> Uninterrupted operations with more than 12K flights and 510M tons, over 350 ghost flights and first direct cargo operations to China. <p>Adapting the operation to a new normal</p> <ul style="list-style-type: none"> Avianca preserved more than 140 aircraft and operated 518 special/humanitarian flights transporting more the 53K passengers. New biosafety protocols for the ramp up were designed and implemented. <p>Operations ramp up</p> <ul style="list-style-type: none"> In June 2020 Avianca started operations in Ecuador, followed by Colombia and Central America in September 2020. More than 19K flight were operated since June 2020, with an overall OTP of 96% and with almost a 100% schedule completion. The priority has been to adapt the operation to a very changing environment because of COVID-19. 	<p>Provide a safe, flexible and customized experience through:</p> <p>Product adaption to new normal</p> <ul style="list-style-type: none"> Biosafety protocols implementation in all touchpoints <p>Flexible features implementation</p> <ul style="list-style-type: none"> Fast vouchers solution to redeem up to December 2021 through all channels. Also, the Frequent Flyer program conditions changed as a response to COVID-19 contingency helping customers. <p>Self-management tools implementation</p> <ul style="list-style-type: none"> Self -management through digital channels to tackle massive voluntary changes. AI and online tools. <p>Brand presence during pandemic</p> <ul style="list-style-type: none"> Push notifications through the website and app, #ExperienciasAvianca (Avianca Talks, Podcast) with more than 100 virtual events). 	<p>Balancing out job preservation and business continuity.</p> <ul style="list-style-type: none"> 2020 was a challenging year because of COVID-19 pandemic. However, Avianca implemented various initiatives to preserve as many jobs as possible under local regulations. Yet, headcount was adjusted to adapt to new market conditions: Peru operations were shut down in May 2020, fixed term contract termination campaigns were launched, unpaid leave programs were implemented, and importantly, key agreements with unions were achieved. A zero-based organization program was also put in place. <p>Biosafety measures implementation</p> <ul style="list-style-type: none"> Avianca implemented successful remote work policies and implemented biosafety measures to have a healthy, safe and sustainable workplace.



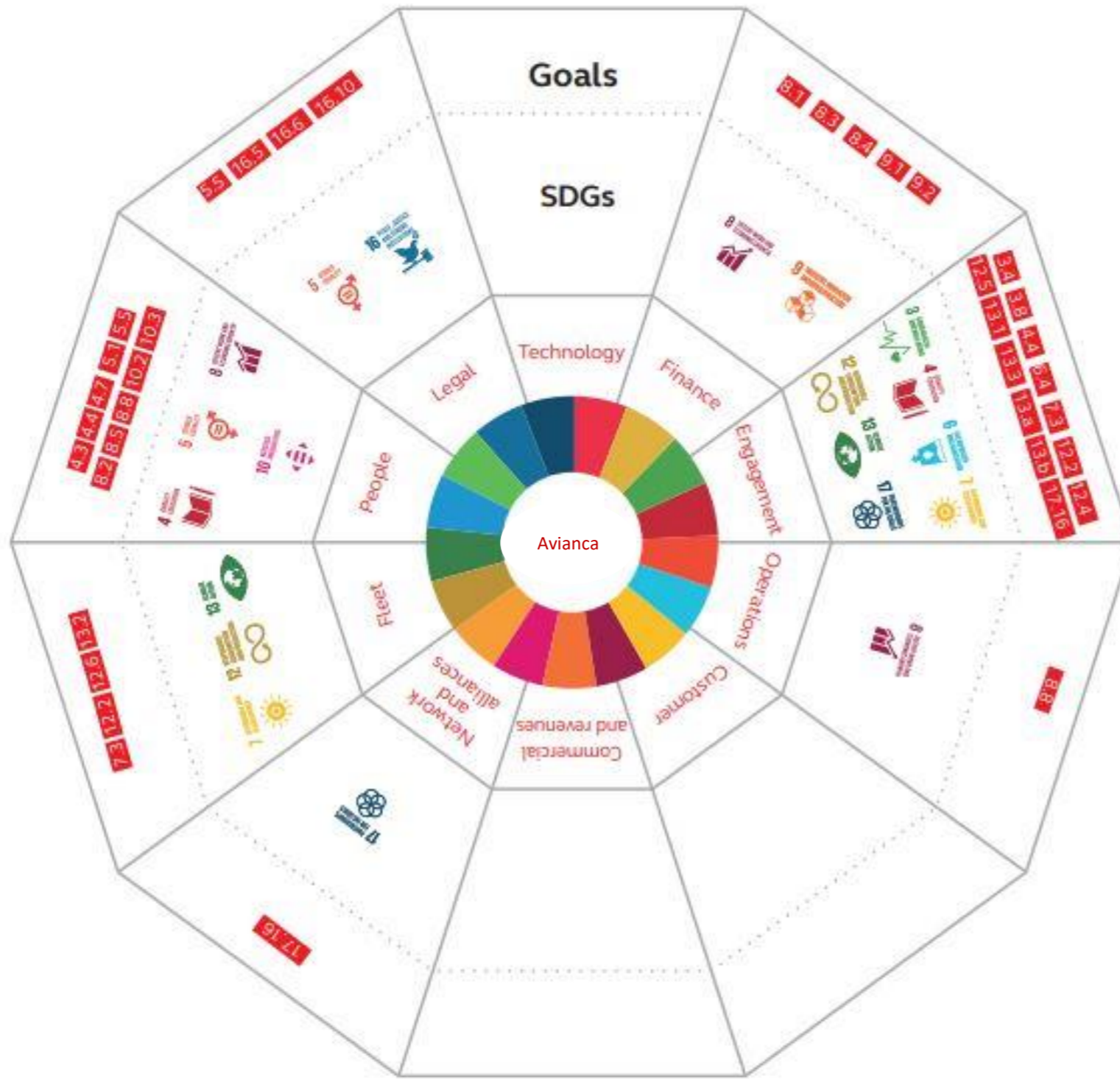
Avianca Going Forward

During 2021, we will continue developing our initiatives based on the four (4) pillars, which will enable us to achieve the planned strategic objectives and begin our journey for 100 more years. The fundamentals for Avianca Going Forward will be: being very cost conscious, having a successful outcome after the Chapter 11 restructuring, as well as focusing on our network and a product that continuously adapts to a new normal.



Awards and recognitions

2020
<ul style="list-style-type: none"> • Business traveler: Best Latin American Airline. • TripAdvisor Travelers' Choice Awards for Airlines: airline with "Best Passenger Comfort in Latin America". • Kayak Best Airlines Awards: airline with "Best Comfort" and "Best In-Flight Entertainment" in Latin America. • APEX - Passenger Choice Awards: "Best Regional Airline in South America" and "Airline with Best Food and Beverages" in the region. • APEX: Five-Star Airline.
<ul style="list-style-type: none"> • We came in fourth place in Colombia in the <i>Universum</i> Survey as a dream employer. • Recognition by the Dow Jones Sustainability Index - MILA Pacific Alliance as the seventh most sustainable airline in the world. • We received two (2) recognitions from the Food Bank Foundation in Guatemala and Ecuador, for our commitment against hunger, donating food in the framework of the COVID-19 pandemic. • Best located airline in Latin America in the Carbon Disclosure project (CDP) • Biosafety seal, "Check in certified, COVID-19", is a certification created by the Ministry of Commerce, Industry and Tourism, whose main objectives are to generate trust among travelers and consumers, minimize the risks of contagion of the virus and encourage tourism in Colombia. • Biosafety Operations Seal-ICONTEC It is an evaluation for the verification of the implementation and systematic application of Biosafety protocols that minimize risks for workers, clients, visitors and suppliers. • ISO 140001 certification- Environmental Management System.



Sustainable Development Goals (SDGs) alignment

We carry out all of our activities, initiatives, and projects under the same purpose: the generation of economic, social and environmental value in our region, contributing to the progress of the Sustainable Development Goals (SDGs).

The alignment for 2020 was made based on the alignment of the material issues. We used the guide “An Analysis of the Goals and Targets” from Global Compact, Global Reporting Initiative (GRI) and Pricewaterhouse Coopers (PwC) to report how our management is aligned with our commitment to the SDGs.





02 | Chapter 11

Avianca Holdings and certain of its affiliates commenced voluntary reorganization proceedings under Chapter 11

11

Background

In 2019, Avianca successfully launched the “Avianca 2021” plan, and throughout 2019 year-end and in the first two months of 2020, significant positive results were achieved. Through the plan, Avianca Holdings S.A. (“AVH”) and its subsidiaries (along with AVH, “Avianca”) redesigned their network with 130 routes to 76 destinations in 27 countries, adding to the launch of a new pricing model (*branded fares*) in domestic markets in Ecuador and Colombia, including flights to and from Europe. These initiatives, along with customer-centric programs, had resulted in improved operational indicators, with a passenger-itinerary-completion rate of 98.7% and a 6-point increase in customer satisfaction. Consistent with the plan, in early 2020 Avianca concluded a successful out-of-court reprofiling of its financial debt and lease obligations and raised \$375 million in new financing.

However, just as is the case with other airlines around the world, Avianca’s operations have been dramatically impacted by the COVID-19 pandemic and resulting government-mandated air travel restrictions, while the organization continued to have high fixed costs. Of the total number of countries in which Avianca operates, 100% have had total or partial passenger air transport restrictions since the beginning of the pandemic, forcing our airlines to take a series of extraordinary and structural measures. These have included employee furloughs, temporary wage reductions, reductions in non-essential capital expenditures and temporary deferred payments on long-term leases. During the year 2020, most of Europe and Latin American countries’ travel restrictions were lifted by the month of June while Colombia, partially lifted on September after months of the passenger fleet having been grounded. Additionally, health and social distancing protocols have induced a global recession that is anticipated to cause many countries’ unemployment levels to rival those experienced in the Great Depression. Markets around the world are experiencing steep decreases in economic activity that likely will result in similar decreases to their gross

national products (which are typically linked to air travel demand). While the airline industry will eventually recover, the recovery will be slow. As AVH stated on some public filings, it does not expect revenues to return to pre-pandemic levels in the short-term as the effects on travel are estimated to be long-lasting. These factors, coupled with the organization’s substantial financial obligations, made it necessary for Avianca to explore alternatives to reorganize its operations and restructure its debt.

Therefore, despite the successful 2019 launch of the “Avianca 2021” transformation plan, an effective debt reprofiling executed in the second half of 2019, and a significant improvement in Avianca’s liquidity position in early 2020, the Debtors (as defined below) were compelled to commence voluntary cases (the “Chapter 11 Cases”) under Chapter 11 of the U.S. Bankruptcy Code (“Chapter 11”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). Additionally, on May 10, 2020, our subsidiary Avianca Peru S.A. has initiated a voluntary dissolution and liquidation process and Estratega Consultores S.A.C., was appointed as liquidator of such company. LifeMiles™, Avianca’s loyalty program, is administered by a separate company and is not part of the Chapter 11 Cases.



Through commencement of the Chapter 11 reorganization process, Avianca intended to:

- A** Protect and preserve operations to continue to serve customers with safe and reliable air travel, under the strictest biosafety protocols;
- B** Ensure connectivity and drive investment and tourism by continuing as Colombia's flagship airline, serving over 50% of the domestic market in Colombia and providing essential non-stop service across South America, North America and European markets, as well as continuing cargo operations, playing a key role in the economic recovery of Colombia and other core markets following the COVID-19 pandemic;
- C** Preserve jobs in Colombia and other markets where Avianca operates; and
- D** Restructure its balance sheet and obligations to enable Avianca to navigate the effects of the COVID-19 pandemic as well as comprehensively address liabilities, leases, aircraft orders and other commitments.



To best position Avianca to successfully complete the Chapter 11 Cases, AVH's Board of Directors retained world-class advisors, including financial advisors Seabury Securities and FTI Consulting, as well as Milbank, Smith, Gambrell & Russell, Gómez-Pinzón Abogados and Urdaneta, Vélez, Pearl & Abdallah Abogados, which are serving as legal counsel. The Board of Directors was also advised by Willis Towers Watson, an independent compensation consultant, in the establishment of best-practices retention programs for certain employees deemed essential to the Chapter 11 reorganization.



About Chapter 11

The voluntary reorganization proceeding under Chapter 11 is a well-established legal process in the United States of America that is recognized by other countries around the world. The process is a temporary one that, according to U.S. law, allows a company to reorganize and complete a financial restructuring under the supervision of the U.S. court system, while remaining in possession of its assets, continuing its operations under the oversight of its board of directors and management team, and binding all stakeholders on an international level. Many companies, including airlines, have used the Chapter 11 process to emerge as stronger organizations.

In Chapter 11, a single forum is created in which a company and all its stakeholders are assembled with the goal of negotiating, structuring, and implementing a one-time, comprehensive resolution of the company's financial condition. Generally, all debt collection actions stayed upon commencement of the case, and debtors are afforded the time and breathing space necessary to restructure their businesses.

The process provides a reliable judicial framework for the negotiation and resolution of inter-creditor disputes and ultimately dictates the way value is generated and allocated amongst the debtors and each of their stakeholders. When disputes do arise, the Bankruptcy Court offers a centralized forum for efficient global resolution.



Chapter 11 generally encompasses the following milestones:

- A** Filing of a voluntary petition for relief with the Court in order to commence the Chapter 11 case. Immediately, a self-effectuating stay and injunction comes into effect, which prohibits and invalidates a wide range of activity related to the debtor, including the commencement or continuation of enforcement actions concerning the debtor's property.
- B** The debtor submits various "first day" motions to the Court, which generally seek to: (i) preserve certain operations; (ii) issue payments to various third parties; and (iii) ensure the case is administered efficiently. Once the judge approves a motion, it becomes a first day order from the Court.
- C** The debtor proceeds to stabilize its operations and financial position, in part by drawing on various provisions of the Bankruptcy Code. At this stage, the debtor may also seek final approval of debtor-in-possession financing to fund its restructuring efforts.
- D** Thereafter, the debtor works to negotiate and document a plan of reorganization, which provides a comprehensive restructuring framework and governs the recovery provided to the debtor's creditors and equity holders.
- E** Assuming certain legal standards are met, the plan of reorganization is then confirmed by the Court.
- F** Following confirmation of the plan of reorganization, the transactions contemplated thereby are effectuated and the debtor emerges from Chapter 11.



Filing and First Day relief

On May 10, 2020 and September 21, 2020 (the “Petition Dates”), AVH and certain of its affiliates² (collectively, the “Debtors”) commenced the Chapter 11 Cases by filing voluntary petitions for relief in the Bankruptcy Court. The Chapter 11 Cases are being jointly administered for procedural purposes only under the caption “In re Avianca Holdings S.A., et al.” Case No. 20-11133 (MG).

The Debtors continue to operate their businesses and manage their properties as debtors in possession. Therefore, without specific court approval, they are authorized only to carry out those functions that are “in the ordinary course of their businesses”. After the first day hearing, on May 12, 2020 the Bankruptcy Court approved on an interim basis a variety of motions that allowed the Debtors to continue normal business operations throughout the reorganization process, being authorized to, among other things:



Pay certain employee wages, compensation and benefit obligations owed as of the Petition Dates, as well as continue paying wages and honoring employee benefit programs during the Chapter 11 Cases;



Maintain the network of customer programs throughout the process. Customers continue to arrange travel and fly with Avianca in the same way they always have. Additionally, customers continue to accrue miles when they fly with Avianca, and to redeem miles earned through LifeMiles™ to purchase tickets with Avianca during this process;



Pay accrued and ongoing prepetition taxes and fees, as well as insurance and surety bond obligations, as they come due in the ordinary course of business;



Honor various obligations owed to certain travel agency partners, vendors, and suppliers. The Debtors also continue to pay vendors and suppliers, as well as travel agency partners, in the ordinary course for goods and services provided on or after the Petition Dates.

2. The Debtors are as follows: Avianca Holdings S.A.; Aero Transporte de Carga Unión S.A. de C.V.; Aeroinversiones de Honduras, S.A.; Aerovías del Continente Americano S.A. Avianca; Airlease Holdings One Ltd.; America Central (Canada) Corp.; America Central Corp.; AV International Holdco S.A.; AV International Holdings S.A.; AV International Investments S.A.; AV International Ventures S.A.; AV Investments One Colombia S.A.S.; AV Investments Two Colombia S.A.S.; AV Taca International Holdco S.A.; Avianca Costa Rica S.A.; Avianca Leasing, LLC; Avianca, Inc.; Avianca-Ecuador S.A.; Aviaservicios, S.A.; Aviateca, S.A.; Avifreight Holding Mexico S.A.P.I. de C.V.; C.R. International Enterprises, Inc.; Grupo Taca Holdings Limited; International Trade Marks Agency Inc.; Inversiones del Caribe, S.A.; Isleña de Inversiones, S.A. de C.V.; Latin Airways Corp.; Latin Logistics, LLC; Nicaragüense de Aviación S.A.; Regional Express Américas S.A.S.; Ronair N.V.; Servicio Terrestre, Aéreo y Rampa S.A.; Servicios Aeroportuarios Integrados SAI S.A.S.; Taca de Honduras, S.A. de C.V.; Taca de México S.A.; Taca International Airlines S.A.; Taca S.A.; Tamra Cargo S.A.S.; Technical and Training Services, S.A. de C.V.; AV Loyalty Bermuda Ltd.; Aviacorp Enterprises S.A.

On June 11, 2020, Avianca secured the Bankruptcy Court's approval of all interim orders on a final basis (many of them without a cap for pre-petition relief).

There are two key parties in the Chapter 11 Cases worth mentioning:

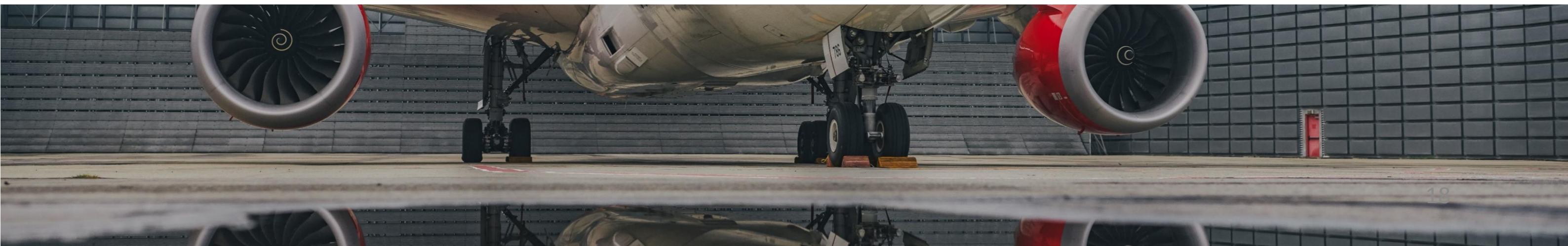


U.S. Trustee: Appointed by the U.S. Attorney General to supervise all bankruptcy cases filed in a particular district. The role of the Trustee is to appoint the UCC, inform the Debtors of their duties and responsibilities and ensure they comply with them, apply to the Bankruptcy Court for appropriate relief and make recommendations to the Bankruptcy Court. The Trustee does not participate in the management of the Debtors or their businesses.



Committee of Unsecured Creditors (the "UCC"): A representative cross-section of the Debtors' unsecured creditor body, owes fiduciary duties to all unsecured creditors, including regarding maximizing their recoveries under any plan of reorganization. The UCC consults with the Debtors regarding administration of the Chapter 11 Cases, investigates the Debtors' conduct and management of their property, and participates in formulating the plan. In May 2020, the Trustee appointed the following 7 unsecured creditors as members of the UCC:

1. CAXDAC (pension fund for ACDAC)
2. The Boeing Company
3. Puma Energy
4. SMBC Aviation Capital, Ltd.
5. KGAL Investment Management GmbH & Co KG
6. Delaware Trust Company
7. ACDAC (the Colombian Association of Civil Aviators)





Status of AVH's Issuances

1. Preferred Shares.

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On May 11, 2020, the New York Stock Exchange ("NYSE") announced that (i) it suspended trading in AVH's American Depositary Shares ("ADSs"), each representing eight preferred shares, as a result of the company's Chapter 11 Case; and (ii) it would also apply to the Securities and Exchange Commission ("SEC") to delist the ADSs once any applicable procedures were completed, including any appeal by AVH of the NYSE staff's decision.

On the same date, the Colombian Stock Exchange (Bolsa de Valores de Colombia, "BVC") notified AVH that (i) its preferred shares continued to trade on the BVC, be ineligible for repo transactions and were inadmissible as collateral for margin calls in other types of transactions; and (ii) starting on May 11, 2020, no futures or options contracts in respect of AVH's preferred shares could be entered into.

On May 22, 2020, the BVC notified AVH that trading of its preferred stock would be conducted by means of auctions starting on May 26, 2020. Pursuant to the BVC's notice, the decision was adopted by its Equity Technical Committee due to: (i) Avianca's voluntary filing for protection under Chapter 11; (ii) the NYSE's decision to commence the delisting process of the ADSs; (iii) the fact that the price of AVH's shares on the BVC had been subject to increased volatility; (iv) the existence of a percentage of unsatisfied offers in view of the number of shares then in circulation; and (v) the fact that for instruments subject to trading by auction there are no applicable ranges of prices for the placing of trades, which allows for a more efficient price formation process under the circumstances.

On June 1, 2020, Avianca received notice that all the conditions precedent to delisting set forth under SEC Rule 12d2-2(b) had been satisfied and AVH's ADSs were deregistered from the NYSE. As of the date of this annual report, the ADSs are traded in the over-the-counter pink market³, which is a less liquid market. There can be no assurance that the ADSs will continue to trade in the over-the-counter market or that any public market for the ADSs will exist in the future, whether broker-dealers will continue to provide public quotes of the ADSs, the trading volume of the ADSs will be sufficient to provide for an efficient trading market, quotes for the ADSs may be blocked in the future or that AVH will be able to relist the ADSs on a securities exchange.

AVH has not taken any decision, nor does the commencement of the Chapter 11 Cases imply that a decision has been taken, with respect to its shareholders. Given that the plan of reorganization has not yet been formulated or presented for consideration before the Bankruptcy Court, AVH cannot, at this time, anticipate any decision or action that it may or may not take that affects (or may affect) the rights of its preferred shareholders. At this stage of the process, it is not possible to know (i) the full magnitude of Avianca's liabilities, considering the claims that may eventually arise; (ii) if third parties, creditors or shareholders will contribute new capital, or if the value of the shares of AVH (ordinary and/or preferred) will be diluted and, to the extent such is the case, the extent of such dilution; or (iii) if any of the Debtors will be liquidated.

As a result of the foregoing, under the plan of reorganization the shareholders of AVH may be diluted, or the value of their shares reduced to close to zero, due to the decrease in equity of the company attributable to its liabilities to third parties and creditors, as well as the injection of capital by new investors pursuant to the plan. Preferred shareholders, as well as ordinary shareholders of AVH, assume under Panamanian law the risk of losing their entire investment if, in the event of liquidation of the company, there are no resources for the reimbursement of the contributions of the shareholders after the payment of the external liabilities.

3. The OTC Pink (Or Pink Open Market), is the most speculative tier of the three marketplaces for the trading of over-the-counter (OTC) securities in the Stocks US market. All three tiers are provided and operated by the OTC Markets Group, this marketplace offers to trade in a wide range of equities through any broker and includes companies in default or financial distress. The OTC Markets Group is the owner and operator of the most substantial U.S. inter-dealer electronic quotation and trading system for over-the-counter (OTC) securities.

Because Avianca's post-bankruptcy capital structure is yet to be determined, and any changes to such structure may have a material adverse effect on holders of the ADSs or the preferred shares, trading in the ADSs or the preferred shares during the pendency of the Chapter 11 Cases is highly speculative and poses substantial risks. Therefore, extreme caution with respect to existing and future investments in these securities is advised. Trading prices of the ADSs or the preferred shares bear no relationship to the actual recovery, if any, by their holders in the context of the Chapter 11 Cases. The reorganization of the capital structure may include exchanges of new equity securities for existing equity securities or of debt securities for equity securities, which would dilute any value of the existing equity securities or may provide for all existing equity interests in AVH to be extinguished. In this case, amounts invested by holders of the ADSs or the preferred shares will not be recoverable, and these securities will have no value.

2. Bonds.

In May 2013, AVH issued \$300 million in aggregate principal amount of 8.375% senior notes due 2020 that were guaranteed by certain of Avianca's subsidiaries, and in April 2014, AVH issued an additional \$250 million in aggregate principal amount of notes of the same series. In 2019, 88.1% of these notes, amounting to \$484.4 million in aggregate principal amount, were exchanged pursuant to an exchange offer and a succeeding mandatory exchange, for 9.000% senior secured notes due 2023. The 11.9% of 2020 unsecured notes (amounting to \$65.6 million in aggregate principal amount) that were not exchanged were listed on the German Stock Exchange located in Frankfurt until May 6, 2020, as they were scheduled to mature on May 10, 2020. Additionally, AVH's 2023 9.000% senior secured notes are currently listed with the Singapore Stock Exchange.

Since the Debtors have filed for Chapter 11 protection and given that AVH did not pay the principal amount on the 2020 notes upon maturity or the interest payment due on the 2023 notes, the security has been categorized as unpaid based on the available price for the notes in the Bloomberg Platform.



DIP Financing

Since the Petition Dates and until Avianca secured its debtor in possession financing ("DIP Financing"), it used its cash on hand, combined with funds generated from its ongoing operations (such as cargo), to support the business during the reorganization process.

On September 21, 2020, Avianca secured commitments for DIP Financing totaling just over US\$ 2.0 billion and filed a motion to approve the financing in the Bankruptcy Court. On October 5, 2020, the Debtors received such approval. The DIP Financing consists of a US\$ 1.27 billion Tranche A senior secured financing and a US\$ 722 million Tranche B secured subordinated loan. The DIP Financing includes approximately US\$ 1.2 billion of new funds (US\$ 881 million in Tranche A and US\$ 336 million in Tranche B).

	Tranche A-1 Financing (Loans and Notes)	Tranche A-2 Financing (Loans and Notes)	Tranche B Financing
Debtor	Avianca Holdings S.A.		
Guarantors	Aerovías del Continente Americano S.A. Avianca and Other Debtors		
Administrative Agent / Collateral Agent	JPMorgan Chase Bank, N.A.		
Description of Lenders	Certain holders of AVH's 2023 notes and U.S. and non- U.S. accredited investors	U.S. and non-U.S. accredited investors	United Airlines Inc., an affiliate of Kingsland Holdings Limited, Citadel Advisors LLC, other lenders under the stakeholder facilities and other qualified investors
Aggregate Amount	Loans: \$591,449,000 Notes: \$437,601,000	Loans: \$176,450,000 Notes: \$64,000,000	US\$722,918,000

On August 28, 2020, as part of syndicating the Tranche A DIP Financing, AVH entered into a Restructuring Support Agreement (“RSA”) with an ad hoc group of holders representing a majority of the 2023 senior secured notes who provided US\$ 290 million in new funds (inclusive of US\$ 63 million of backstop) and roll up US\$ 220 million of their existing notes into Tranche A.

US\$ 240 million of the Tranche A financing was structured as a backstop commitment, to allow for the eventual participation of one or more governments. However, as of the date of this report, no local government has participated in the DIP Financing.

The US\$ 722 million Tranche B DIP Financing includes US\$ 336 million of new money financing, as well as a rollup of approximately US\$ 386 million of secured convertible debt issued in December 2019 and January 2020 (the “Existing Convertible Debt”). The new money financing was provided by certain of the Existing Convertible Debt lenders, including Kingsland Holdings, as well as third-party investors; certain other Existing Convertible Debt lenders, including United Airlines, participated solely in the Tranche B loan rollup by refinancing their Existing Convertible Debt.

The DIP Financing is secured by Avianca’s key assets (including ownership stakes in the LifeMiles and cargo subsidiaries, as well as by its key brands and cash accounts). Both tranches are secured by a lien on all available collateral, with Tranche B subordinated in right of repayment to Tranche A.

Additionally, Avianca closed on the agreement to purchase 19.9% of LifeMiles’ equity from Advent International (prior owner of 30%), at a purchase price of US\$ 195 million (US\$ 26.5 million of which were paid in cash and the remaining US\$ 168.5 million were paid with Tranche A-1 loans). Consequently, AVH currently indirectly owns 89.9% of LifeMiles’ equity and has an option to purchase the remaining 10.1%.



What’s Next

A

The Bankruptcy Court approved a General Bar Date (January 20, 2021, at 11:59 p.m. PT) and a Governmental Bar Date (February 5, 2021, at 11:59 p.m. PT) in the Chapter 11 Cases, by which proofs of claim must be filed by all potential holders of claims that arose before the Petition Dates. Afterwards, Avianca’s claims agent will process all claims received into the official claims register and once it’s complete, Avianca’s management team and its advisors will review/reconcile every filed claim.

B

U.S. law imposes upon the Debtors a priority order (known as the “absolute priority rule”) to pay claims existing before the Petition Dates. Generally, the value of the Debtors must be directed (i) first, to satisfy secured claims, up to the value of the collateral securing such claims; (ii) second, to satisfy unsecured priority claims; (iii) third, to satisfy non-priority unsecured claims; and (iv) fourth, to shareholders of the Debtors. Generally, a particular class of claims may not receive any distribution until all claims senior to such class have been paid in full. It is likely that AVH’s shareholders (including ordinary shareholders and preferred shareholders) would not receive any distribution under a plan of reorganization or otherwise, unless the claims of the other classes of creditors senior to the shareholders have been satisfied in full.

C

Avianca will negotiate with its creditors and document a plan of reorganization that will provide a comprehensive restructuring framework and will set forth the recovery which will be available to creditors and equity holders. Assuming certain legal standards are met, the plan of reorganization is then confirmed by the Bankruptcy Court.

A confirmed plan binds all of the Debtors’ creditors, equity security holders, and other stakeholders; it discharges prepetition claims, liens, and interests in exchange for the consideration provided under the plan.



03 | Our fleet

Our fleet management

Due to the recent worldwide situation and as a consequence of the largest aeronautical crisis in history, Avianca has focused its efforts on optimizing its fleet in economical and operational perspectives, taking into consideration the entire network routes. Different agreements have been reached with creditors, financiers, investors, aircraft lessors, among others, seeking to have a much more favorable cost structure for the fleet, taking into account the Chapter 11 process filed on May 10 of 2020; situation that allows us making better deals and fleet decisions to fulfil our customers' needs according to the new trends in the market that Avianca serves.



Simplification

During 2020 the company phased out 24 aircraft of its fleet. Also, under the Chapter 11 process, Avianca rejected 12 aircraft which represented less communality and unfavorable economic conditions, reflected in two (2) A321, two (2) A330-300, two (2) A319, two (2) A320 and four (4) ATR 72. Additionally, during the first quarter of 2020, the complete E 190 fleet was phased out (10 aircraft) and two (2) A300-200 F were sold.

Simplifying the fleet and having fewer types of aircraft means greater profitability and efficiency in spare parts, materials, and tools, which translates into lower fleet-related costs.

24 aircraft removed from operation in 2020

Managing our fleet...

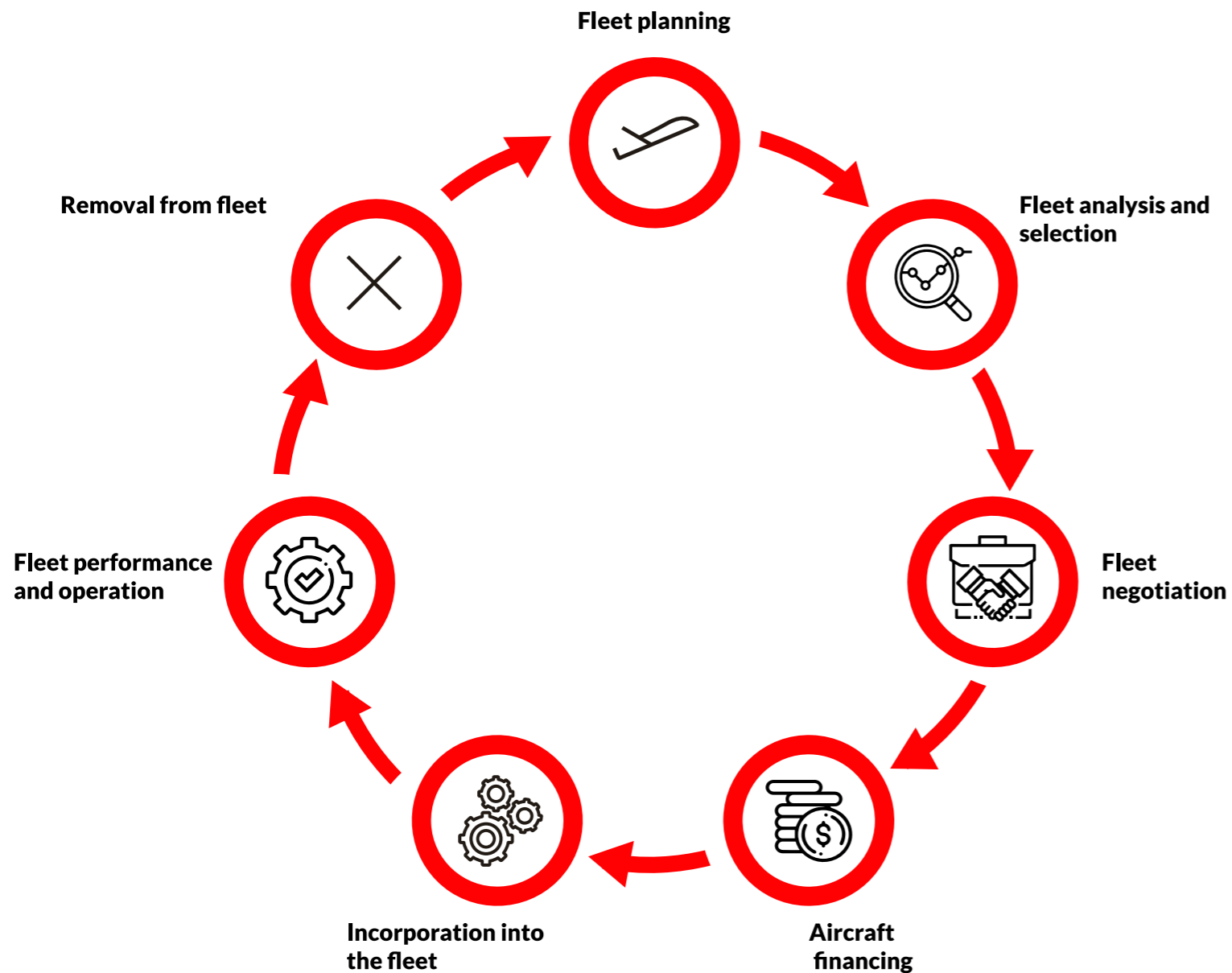
The current Chapter 11 process of Avianca Holdings S.A. has been working on a more efficient cost structure in terms of the fleet, in order to have a profitable company aligned with a better recovery from the impact caused by COVID-19 within the global aeronautical market.

To have a correct management of the aircraft life cycle, starting from planning and incorporation, contract management to the final retirement, helps to have a better vision of the renegotiation options as well as assets optimization in accordance with the fulfillment of the expectations regarding the domestic and international markets where Avianca operates.

This process involves a series of interrelated activities, aimed at assuring efficient and timely fleet management.

Even if fleet performance is measured quantitatively in terms of the aircraft transactions and costs (acquisition, incorporation, removal, extension, transfer, return and sale), part of the company's current fleet strategy is to maintain the most profitable assets, generating the lowest cost possible. Sarbanes- Oxley Act (SOX) audits and controls are also performed on the various fleet-related processes, depending on periodicity or occurrence.

Life cycle of our aircraft



01 Fleet planning

Rethinking of short and long-term fleet requirements related to future expectations of the market align with a profitable plan.

02 Fleet analysis and selection

Analysis of fleet to be renegotiated, removed, and extended to increase the operation's profitability.

03 Fleet negotiation

Renegotiation with aircraft lessors and financiers to adjust financial conditions of the entire fleet; as a result, discussions with manufacturers will be in place.

04 Aircraft financing

Renegotiation of aircraft lease and financing contracts.

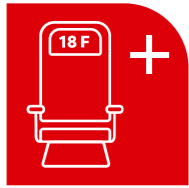
05 Incorporation into the fleet

06 Fleet performance and operation

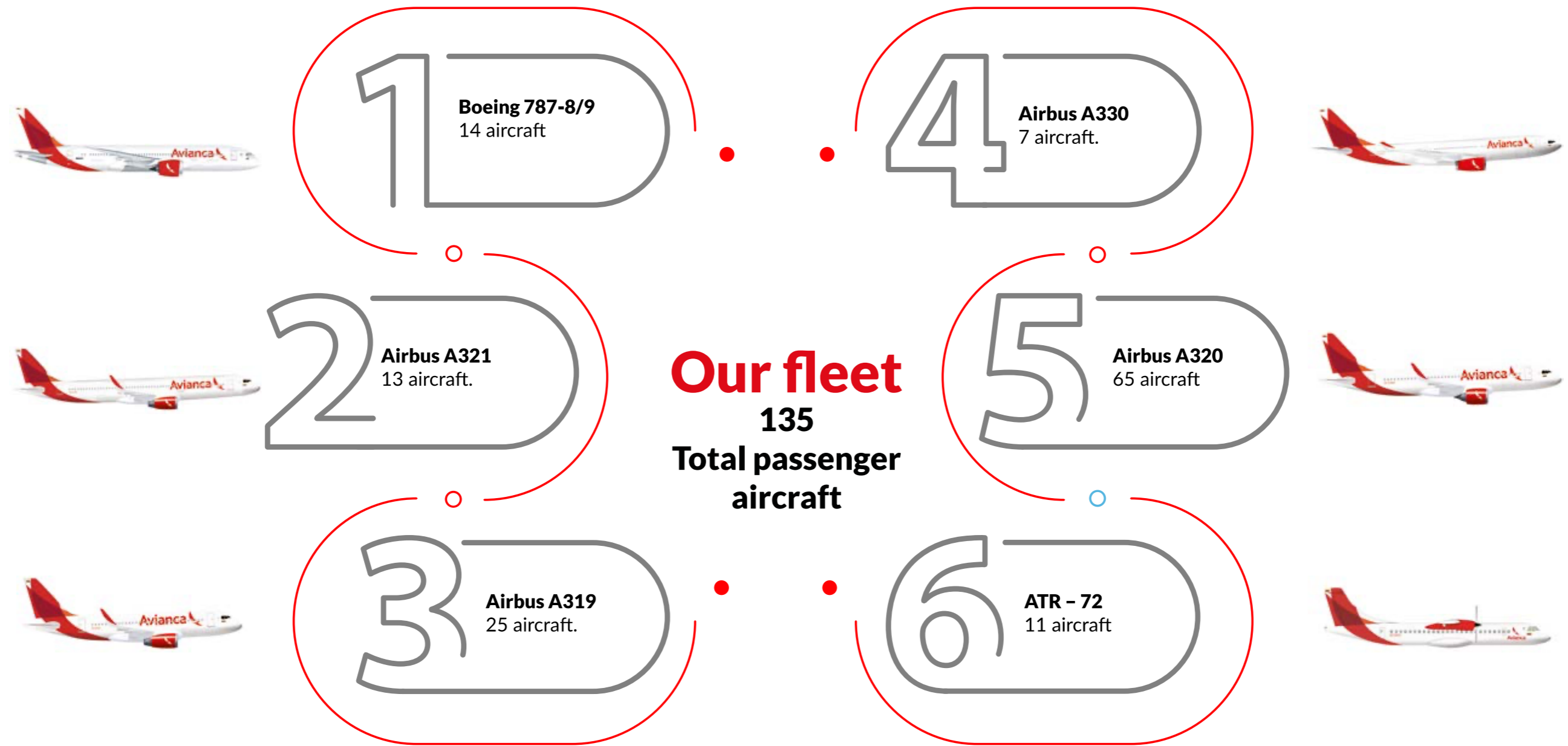
Analysis of aircraft operation aimed at providing guidelines for optimal operation, targeting lower costs related to the entire fleet.

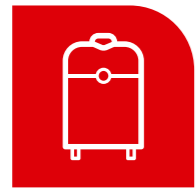
07 Removal from fleet

Depending on the fleet market conditions, the company decides which aircraft or fleet type would be retired.

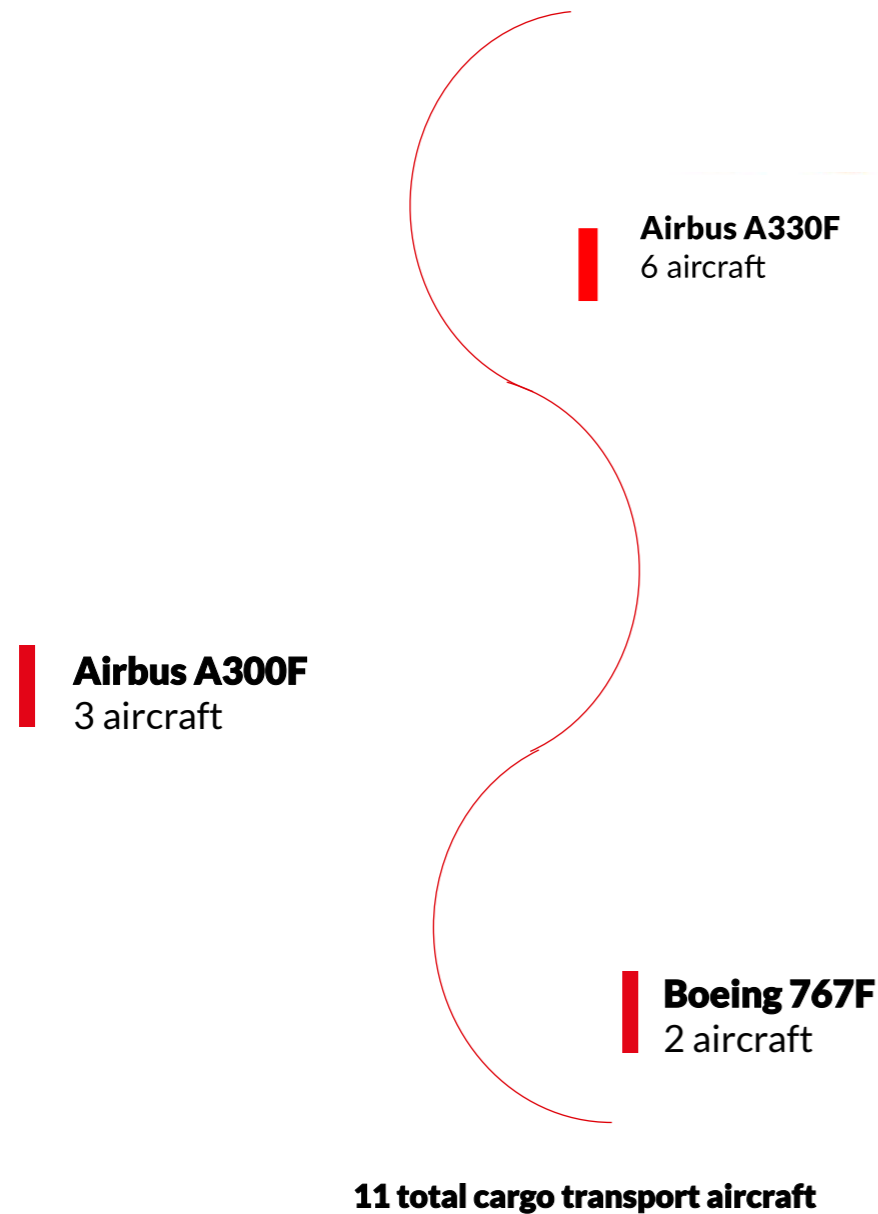


Passenger transportation
Diagram 01





Cargo transport
Diagram 02



 **Own indicator: Total aircraft under management**



Aircraft managed as of year-end 2020

146

How did we adapt in 2020?

After 100 years of continuous operation, the company stopped due to the worldwide COVID-19 pandemic, representing the worst aeronautical crisis in the history. We grounded all our fleet accomplishing with preservation programs in different bases to preserve in the best conditions all our aircraft.

We entered a Chapter 11 process where the principal impact in our fleet started with renegotiations with lessors and financiers, in order to preserve cash while the company have continued to rebuild the network.

As COVID-19 restrictions ease in our core operating cities, we began domestic scheduled passenger operations in Colombia in early September 2020 in addition to the domestic operations in Ecuador and the operations in our HUB in El Salvador.

We restarted our operation with the required fleet according to the demand, taking into consideration different factors as types of aircraft necessary for the routes under operation, always focused on cost efficient operation according to the Chapter 11 process.

We made progress in the challenges we took on 2019?

In line with Avianca's strategy, 24 aircraft were removed from operation, and three (3) fleet types were reduced: Embraer 190, A330-300 and Airbus A300-200F.

Our future 2021

Keep the most cost-efficient fleet according to the operational and network planning requirements.

Ensure that the fleet management process fulfills the company's strategy plan requirements.

Move forward in reducing the types of aircraft and in optimizing fleet operation, in order to generate efficiencies.

Strengthen the aircraft life cycle monitoring process.

Our aeronautic centers for maintenance, repair, and overhaul (MRO)

Avianca Holdings' maintenance, repair, and overhaul (MRO) aeronautic center comprises two hangars of Avianca (6 lines for Narrow Body) and one hangar for Avianca Cargo MRO with capacity for one line for Wide Body, located in Rionegro, Antioquia (Colombia). Jointly, they are one of the most modern centers in Latin America, widely recognized for implementing innovative aircraft maintenance and plastic parts manufacturing processes. As per COVID-19 pandemic, MRO Aviateca, located in Guatemala City (Guatemala) was closed on March 2020 for base maintenance; however, this station continues its operation with Approved Maintenance Organization (OMA).

Our MRO shops specializes in:


- Structural repairs
- Manufacturing of plastic parts for aeronautics use
- Inspections and non-destructive testing
- Aircraft incorporation and return processes
- Repairs of aircraft components
- Overhaul services for different types of fleets
- Cabin overhauling and reconditioning
- Engineering services
- Personal Protection Equipment




Avianca installed photovoltaic panels to generate sustainable energy



We provide aircraft engineering and maintenance services for Avianca's and other airlines' aircraft in the continent, for Airbus A330 and A320, Boeing 787 and 767, ATR42 and ATR72 fleet.



Our center currently has six (6) major service lines for narrow bodies and one (1) for wide body.



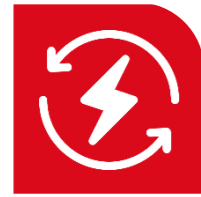
We have component workshops for electrical accessories, ATEC (Avionics Test Bench for A320 family computers), instruments, wheels and brakes, gases, emergency equipment, structures and components, welding, engine basic capabilities, etc.



Over 800 people committed, experienced, and highly qualified are part of the MRO team. Every day, they work in different areas of the aeronautic center to provide efficient and high-quality services

In 2020 the MRO covered over 97 checks / 481,309 labor hours for fleet of Avianca S.A. and Avianca Holdings fleet, as well as 15 checks/ 75,249 labor hours for third parties on the region. This enabled us to position the MRO as a Hub of innovation, reliability, and operational capacity in the region.

In addition to existing approvals from the Federal Aviation Administration-FAA and the European Aviation Safety Agency-EASA, we got in 2020 approvals by the Chilean and Argentinian authorities to perform maintenance and increase the capacity of airframes and/or components.

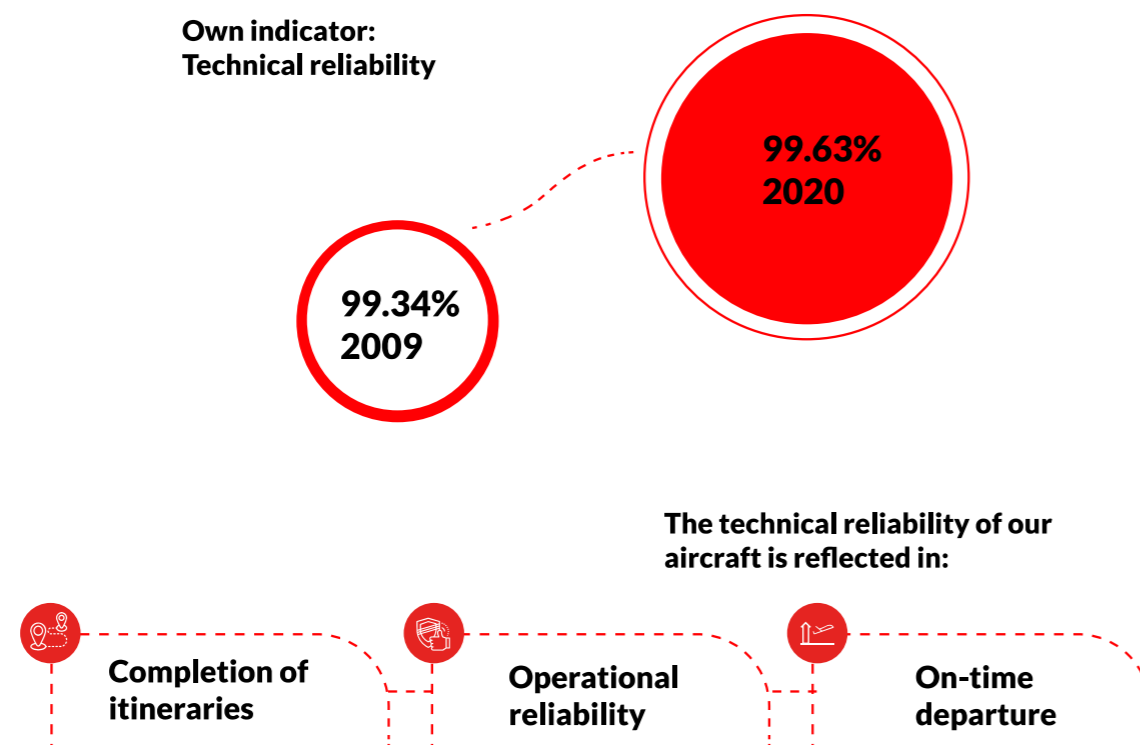


Avianca installed photovoltaic panels to generate sustainable energy

Aligned with our environmental commitment, we successfully installed a total of 1,676 photovoltaic panels which generates approximately 57,000 KW per month. This auto generating system has six (6) of 60 KW inverters and one (1) of 50KW inverter, for a total of 410KW in alternate current- AC. This is the maximum useful power that the system can produce and with a less cost than electric energy. The contract is a Power Purchase Agreement- PPA and the benefit is that Avianca did not invest capital for the infrastructure, only pays for the cost of the energy consumed for the duration of the contract which is 20 years.

Given the COVID-19 pandemic, the MRO reduced 50% maintenance requests by third parties compared with 2019, consequently, revenues were reduced 66% resulting on a total of USD 3.4 million.

Over the last 11 years, following the incorporation of new aircraft to our fleet, we have substantially improved our operational and technical performance. In this regard, during this period our technical reliability indicator increased by 0.29%, which is above the average industry standard. This motivates us to continue working to always offer the best to our customers.



Monitoring our performance

At the Avianca Holdings MROs, we monitor our performance through Key Performance Indicators- KPIs: The MRO reviews on a weekly and monthly basis overall performance, as well as performance by process, in terms of fulfillment of targets related to production, sales, incidents, customer satisfaction and use of resources (hangar usage), to determine short-term actions to be taken to achieve adequate performance at the maintenance station.

Highlights:



- **Audits:** We undergo a total of 74 audits, including those conducted by the Federal Aviation Administration- FAA, the European Aviation Safety Agency- EASA, the Special Administrative Unit of the Civil Aviation Authority (UAEAC, for the Spanish original), clients such as LATAM, Jetsmart, Viva Air and Fuerza Aérea Colombiana- FAC, in addition to those performed by each of the airlines part of Avianca Holdings. The above enables confirming compliance by the MRO with legal requirements, as well as the procedures established by customers and the maintenance station.
- **Customer surveys:** We perform quarterly surveys of the MRO's third-party customers to assess the quality of the services provided, obtaining a full view of how the MRO satisfies its customers' needs and the station's capacity to adapt to its customers.

How did we adapt in 2020?

Ending 2020, we finished with 56 aircraft preservations (6 parked and 50 in storage) and maintained 73 operative aircrafts as a result of the COVID-19 pandemic.

We completed Bogota's Hangar with a capacity for one (1) wide body aircraft for Line Maintenance approved by the FAA in February 2020.

We completed our On-Call Model for line maintenance in all bases in Colombia to serve aircraft in transit. This model has already been implemented worldwide and enables us to optimize the number of technicians assigned to the aircraft during flight operations and reduce aircraft servicing costs.

We developed capabilities to produce in house all Personal Protection Equipment (EPP) for all airlines of Avianca Holdings, as well as protective masks and plastic face mask protection.

We consolidate certain capabilities as batteries, wheels, and brakes repair in Bogotá, Rionegro and El Salvador.

Strict post COVID-19 protocols were implemented along MRO operation as well as investments in personal protection equipment, thermographic equipment system for detection and control, portable sinks, alcohol and antibacterial gel in all stations and workshops.

We contributed to improving operational, engineering and maintenance performance indicators Deferred Maintenance Items- DMI from 0.8 to 0.29 per aircraft and Estimated Time of Reparation- ETR from 84% to 90%.

Our future 2021

Adjust the MRO's operating model to enhance operational flexibility, efficiency, and customer focus, in order to meet the restructuring process of the Avianca Holdings' airlines.

Implement On-Call Model for line maintenance in all remaining bases (Salvador, Honduras, Costa Rica, Nicaragua, Guatemala and United States)

Achieve the management of non-core business processes by third parties (such as technical cleaning of aircraft during overhauls, carpentry, making of curtains and rugs). This will help optimize times and enable us to focus on our major service lines, as well as on high rotation components repairs.

Continue with the ramp up requirements, aircraft de-preservation, keeping strict safety controls to deliver safe cabins for our customers and establishing challenging KPI targets for 2021.



04

Connecting Latin America
with the world

Destinations and route network



GRI 102-4; 102-6; 102-7; 102-10

2020 was a year with many challenges due to the border closures and flight restrictions in many countries, as well as measures to control the spread of COVID-19:

In the 1Q of the year we offered a total of 75 destinations, 141 routes in 26 countries in America and Europe.

January- March



March-September

During the period from March to September, we operated a total of 518 humanitarian flights to 47 destinations, 75 routes in 30 countries.

On December we had a recovery of 37% of the flights that we offered before COVID-19 crisis, operating to 65 destinations, 87 routes in 22 countries.

December





Number of passengers carried: 7'876.292

Flights during the year: 72.432

Bogotá, Colombia

San Salvador, El Salvador

Our strategic alliances

In 2020, we continued to work on extending and improving our existing agreements and on finding new ways of cooperation in order to contribute to the mitigation of the deep crisis the industry has gone through during that year. Among these, Interline Protection Agreements played a remarkable role given the harsh circumstances of network reduction and extremely slow ramp-up.

Additionally, we expanded our code-share agreement with GOL, allowing them to place their code (G3) on Avianca flights and implemented a Frequent Flyer Program Agreement enabling LifeMiles members to accrue and redeem miles on GOL flights. New codeshare implementation with TAP (TP) connecting from our European gateways.

Within the new ways of cooperation, Avianca has entered in November 2018 a Joint Business Agreement with United Airlines and Copa Airlines, which is subject to receipt of regulatory approvals. This strategic-commercial alliance, will bring better services for passengers who travel between the United States and 19 Latin American countries, providing significant benefits to travelers, communities, and the market.

The initiatives carried out in the framework of Avianca's strategic plan focused on supporting the revenue generation and on the fleet and network restructuring plan.

Star Alliance in figures:

Since 2012, we have been members of the alliance, which features the most comprehensive route network:

- 26 Member airlines
- Over 19,000 daily flights
- 1,317 airports in 195 countries
- Over 4,919 aircraft

Benefits for our customers derived from Star Alliance membership

- Easy access to a global network of 26 airlines.
- Upgrades on any member airline of the alliance using miles under the Star Alliance Upgrade Awards (SAUA) program.
- Simplicity in the travel experience, having the possibility of checking baggage through to the final destination and using a single ticket for the entire journey.
- Acknowledgment throughout the Star Alliance route network: If the customer is a member of the LifeMiles program or any frequent flyer program of a Star Alliance member airline, he/ she can accrue and redeem miles when flying with any alliance member airline.
- Access to exclusive Alliance products such as:
 - Round the World: Our customers can travel around the world on Star Alliance airlines at special rates and including up to 15 stops at network destinations.
 - Corporate Plus: It provides benefits to our corporate customers, providing them access to all Star Alliance network.
 - For frequent flyers in the Elite Gold and Diamond categories we offer access to the exclusive Star Alliance VIP Lounges and the VIP Lounges of the various partners at airports throughout the world, as well as priority boarding and baggage pickup.

Benefits for our people

- Shared learning of best practices.
- World-class service orientation and attitude.
- Being a part of an airline with a global presence and projection.





Code-Sharing

In 2020, we continued offering services under code-sharing with 17 airlines. This enabled our customers to connect with over 140 destinations and 215 additional routes that complement our direct network.



Latinamerica: Copa Airlines, Azul and GOL

North America: United Airlines, Air Canada and Silver Airways

Mexico: Aeroméxico

Asia: All Nippon Airways, Eva Air, Singapore Airlines, Air China, Etihad Airways and Air India

Europe: Iberia, Lufthansa, TAP and Turkish Airlines

Interline and intermodal agreements

We have close to 80 interline commercial agreements with airlines from the five (5) continents and five (5) intermodal agreements with railway companies such as Renfe in Spain, Great Western Railway in Great Britain, Deutsche Bahn in Germany and Oebb in Austria, and with the intercity bus company National Express in Great Britain.

80
Agreements

5
Intermodal
agreements

15
Protection
agreements

Protection agreements

During such a stormy year like 2020, airlines had to adjust their networks significantly. Interline protection agreements help to re-accommodate affected passengers on other carriers (Avianca passengers on OAL) and receive other carrier's affected passengers (OAL on Avianca) with guaranteed convenient rates.

- Eight (8) protection agreements for planned re-accommodation of Avianca passengers on OAL (Latam, Azul, Iberia, Lufthansa, Gol, Latam Brazil)
- Seven (7) protection agreements for planned re-accommodation of OAL passengers on Avianca (Tame, Iberia, Lufthansa, United)

Frequent flyer program agreements

We also have agreements that enable users to transfer benefits between the frequent flyer programs of all Star Alliance member airlines, as well as Iberia's Iberia Plus program, Aeroméxico's Club Premier program, and GOL Smiles Program.

Staff travel agreements

Speaking about benefits, we have 71 ZED agreements covering most of the globe for self-service discount tickets for personal travel of our staff and their families on other airlines.

Since duty calls, we also have 19 Multilateral Interline Business Agreements- MIBA that provide discount tickets for business travel of our staff on other airlines, plus excellent Pass Bureau relationships for ad hoc for reciprocal courtesy duty travel on many other carriers.



05 | **When Avianca flies,
so does Latin America**

Commercial performance

We are proud to be a Latin America brand with a global track record that is recognized by our frequent flyers to have one of the most modern fleet in the region. We have been adapted to changes for over 100 years so we can always offer a warm and friendly service to our customers and stakeholders.

For over 100 years we have been committed to connecting Latin America with the world, always putting the safety of our travelers and our people first. In 2020, the COVID-19 had a direct effect on the operation of airlines around the world and Avianca was not the exception. In March 2020, we were forced to close our wings and had to have our aircrafts grounded for over than 6 months, so we could comply with different safety measures established by governments in all the markets where we operate. After more than a half of a year on the ground we were able to open our wings again gradually. Due to this contingency, we created a brand strategy specially for this extreme situation and to keep operating in the new normal of the world; that is why we are convinced we must continue keep our customers emotionally close to the brand not only reactivating their desire to travel, but communicating our Biosafety Program, the punctuality of our flights and the new flexible options when buying tickets with Avianca. Furthermore, with our network and our purpose to connect Latin America to the world still intact, we can say that “When Avianca flies so does Latin America.”



Customizing the experience

At Avianca we understand that the needs of each customer are different, and for this reason we have created options that are adjusted to the way each one travels and to fit any travel occasion. With the requirements of our valued passengers in mind and aimed at improving their overall flight experience, in 2019 we reformulated our commercial strategy as part of our Avianca's strategy plan. We evolved from Fare Families to Branded Fares, an innovative way that allows our customers to select the attributes and services they wish to include in their travel experience (seat selection, baggage, flexibility, among others) and pay depending on their selection at the time of purchase.

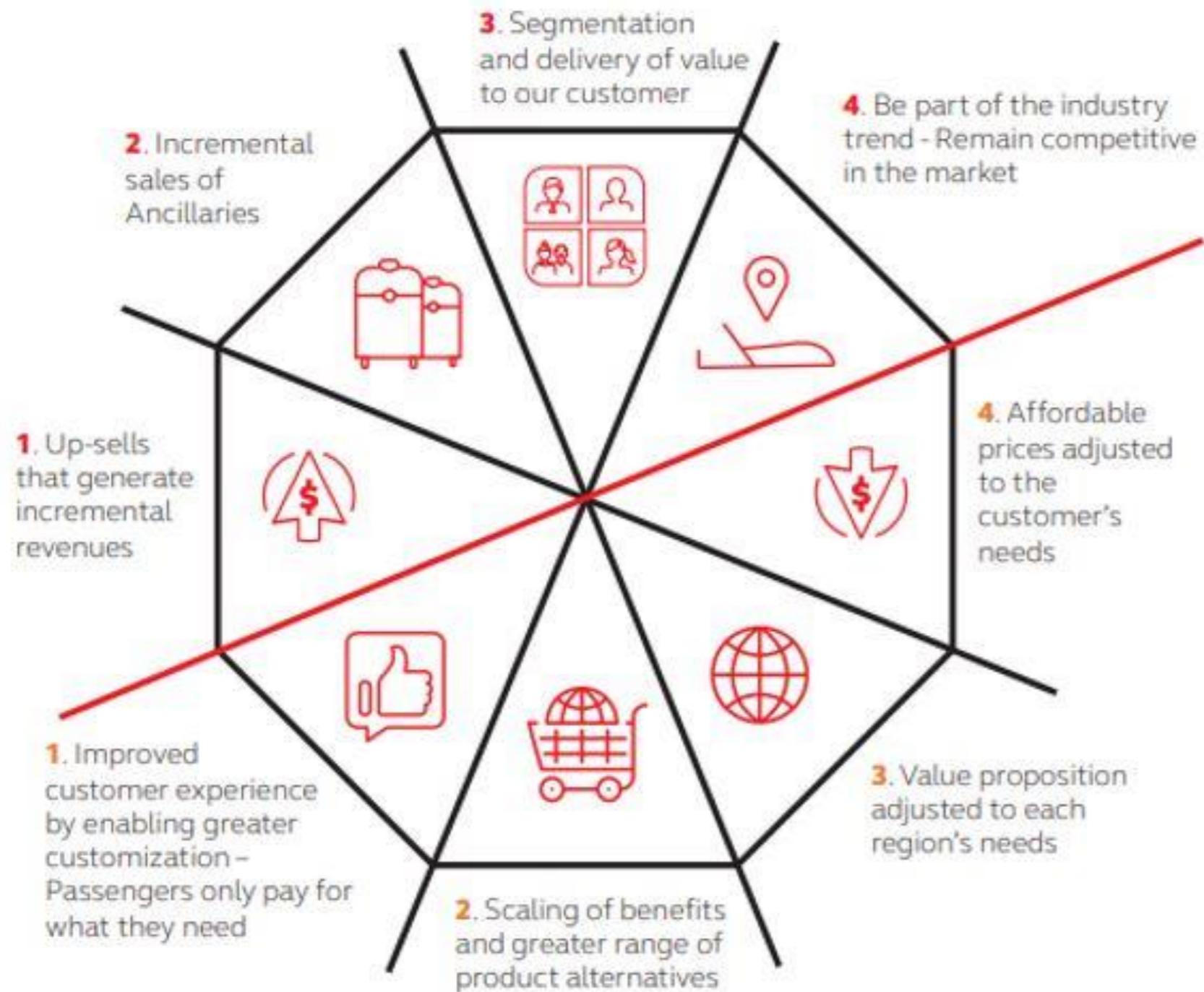




Branded fares

Diagram 03: Branded fares

For Avianca



In 2020, the Branded Fares deployment was completed in all our markets which allowed us to offer our travelers a variety of alternatives, taking into consideration their needs and expectations when they select the complementary attributes and services they required, independently from the fare family. We also managed to reduce the price gaps between the different fares in order to make our offerings more attractive.

Also, in 2020:

- 1** We launched the new fare scheme in international markets in all channels.
- 2** We offered “Avianca Plus” product, that saves our customers time through priority boarding and disembarkation, now available in international markets too.
- 3** We implemented technical improvements to the product aimed to reduce complexity and make the sales process more reliable in all channels, as well as to improve the traveler’s purchasing experience.



Branded Fares has enabled us to increase our commercial revenues, the sale of ancillaries, to deliver more value to our customers and to be competitive in the market.

For domestic markets, Colombia and Ecuador, the product was deployed in 2019 under the following fare scheme:

	XS	S	M	L	XL	XXL
Carry-on luggage 10 kg	✓	✓	✓	✓	✓	✓
Checked Baggage	\$\$	\$	✓ 1 X 23 kg	✓ 2 X 23 kg	✓ 2 X 32 kg	✓ 2 X 32 kg
Seat preselection	\$\$\$	\$\$	✓	✓	✓	✓
Avianca Plus	-	\$\$	\$	✓	-	-
Itinerary change	-	\$\$	\$	✓	\$	✓
Refunds*	-	-	\$	✓	\$	✓
Priority boarding	-	-	-	-	✓	✓
VIP lounge	\$	\$	\$	\$	✓	✓
LifeMiles Qualifying segment	0% 0	25% 1	100% 1	150% 2	150% 2	200% 3

*XS and S refunds for DOMEKU will be enabled depending on each country's legislation.

Business Cabin

	XS	S	M	L	XL	XXL
Carry-on luggage 10 kg	✓	✓	✓	✓	✓	✓
Checked Baggage	\$\$	\$	✓ 1 X 23 kg	✓ 2 X 23 kg	✓ 2 X 32 kg	✓ 2 X 32 kg
Seat preselection	\$\$\$	\$\$	\$	✓	✓	✓
Avianca Plus	-	\$\$	\$	✓	-	-
Itinerary change	-	\$\$	\$	✓	\$	✓
Refunds*	-	-	\$	✓	\$	✓
Priority boarding	-	-	-	-	✓	✓
VIP lounge	\$	\$	\$	\$	✓	✓
LifeMiles Qualifying segment	10% 1	50% 1	100% 1	150% 2	150% 2	200% 3

*XS and S refunds for DOMEKU will be enabled with charge if the flight originates in BR or EC, depending on each country's legislation.

Business Cabin



In February and March 2020, the product was successfully launched in Europe and North America, respectively, under the following fare scheme:



In May 2020, the product was successfully launched in South America, Central America, the Caribbean, and Mexico under the following fare scheme:

	XS	S	M	L	XL	XXL
Carry-on luggage 10 kg	✓	✓	✓	✓	✓	✓
Checked Baggage	\$\$	\$	✓ 1 X 23 kg	✓ 2 X 23 kg	✓ 2 X 32 kg	✓ 2 X 32 kg
Seat preselection	\$\$\$	\$\$	✓	✓	✓	✓
Avianca Plus	-	\$\$	\$	✓	-	-
Itinerary change	-	\$\$	\$	✓	\$	✓
Refunds*	-	-	\$	✓	\$	✓
Priority boarding	-	-	-	-	✓	✓
VIP lounge	\$	\$	\$	\$	✓	✓
LifeMiles Qualifying segment	10% 1	50% 1	100% 1	150% 2	150% 2	200% 3

*XS and S refunds for DOMEKU will be enabled with penalty if the flight originates in BR or EC, depending on each country's legislation.

Business Cabin





Digital Retailing

In line with Avianca’s strategy plan and in response to the current market trends, we have an Ancillary Revenue strategy in place. This strategy offers a portfolio of complementary services and products that enhance our customers’ experience, by enabling them to customize their trips, while generating sustainable profitability. Additionally, we have developed a strategy to continue building and expanding our direct sales through Avianca.com (web, mobile and App) to reduce costs and enhance the experience by improving the shopping process, including selected products of our ancillary portfolio, while also providing tools to self-manage the trip.



Additional Baggage

This service enables our customers to travel with everything they need, in addition to the documented free baggage



Sports equipment

We transport sports equipment such as surf boards, bicycles, etc., so that our customers can enjoy their passion wherever they go



Seat reservation

It allows our customers to select the seat of their choice in advance, either in the first rows with Avianca Plus, near the emergency exist for more legroom, or to make sure all traveling family or group members can sit together.



Pets on board

Our passengers can travel with their pets, either in the cabin or in the hold



Gift Card

A prepaid gift card than can be redeemed to acquire several of our products and services



Empty seat

We offer our passengers the possibility of reserving for an extra charge, the seat next to them travel more comfortably. This is advisable for long trips, because it ensures that no one else uses the seat during the flight.



Travel assistance

We offer our travelers a comprehensive travel assistance program for any destination, covering medical expenses due to illness, COVID-19, legal assistance and even pet insurance, at the customer’s option



VIP access

Our customers can enjoy the experience of our VIP lounges, by having access for one day to enjoy all the benefits.



Upgrade to business class

We offer the possibility of experiencing our exclusive Business Cabin service through class upgrades



Unaccompanied minors

Full assistance for unaccompanied minors between the ages of five (5) and seventeen (17), from the time they arrive at the airport until they are handed over to a responsible adult at the final destination.



On board WIFI

Now our customers can remain connected during the entire flight with our internet connection packages.



Duty free

Our customers can purchase exclusive duty-free products, accumulate miles and enjoy amazing discounts in perfumes, liquor and many other products.



2020

New products in 2020:



Accommodations:

In alliance with Booking.com customers can find an extensive accommodation network in more than 220 countries around the world, tailored to all budgets and security protocols with special discounts for Avianca.



Car Rental:

In alliance with RentalCar.com, Avianca customers can easily find and rent a car with the world's leading rental brands with the best price guaranteed, free cancellation in most of the reservations and cleaning with all the security protocols.



Time to think:

A service that allows you to block a fare for additional days, so a client can prepare and decide their flight, starting with Europe bookings.

How did we adapt in 2020?

- We implemented a new and more agile booking flow in Colombia and Europe.
- Self-Servicing for voluntary ticket changes was enabled in all countries, allowing customers to easily change their tickets reducing calls in our Contact Center.
- Additional channels to purchase Ancillary services were implemented: Online Check-In and Manage My Booking.
- Our Travel Assistance product was updated with a new provider and to include COVID-19 coverage as well as the ability to purchase it during the booking flow.
- We implemented 3 new ancillaries:
 - Time to Think – ability to lock a fare in Avianca.com for up to 3 days paying a fee.
 - Accommodation rental – in alliance with Booking.com with special discounts applicable only to Avianca passengers.
 - Car rental – in alliance with RentalCars.com.
- We implemented travel vouchers processing and redemption through Avianca.com using online forms and an online redemption tool for self-servicing.
- We designed and launched a complete facelift for our mobile app, user friendly and more intuitive.
- We implemented “push notifications” in web and mobile with commercial and operations messaging.
- Avianca Experiences: a new entertainment “channel” was opened to maintain passenger engagement with over 100 online events during 2020.

Our future 2021

Become a “travel shop” where passengers will find all services needed for their travels and beyond. Providing and implementing a wide array of ancillary services –air and non-air– that improve customer experience all throughout their travel journey. Personalized offers and content, curated for our customers via MyAvianca section in Avianca.com, with a new booking flow in all countries and a completely new App.

Our brand

Over the years, we have developed advertising campaigns that have enabled us to get closer to our stakeholders and to position our company in the region day by day. For this reason, we have launched campaigns such as “It’s our pleasure” (2009), “Not by chance” (2011), “Because of you” (2013) ,and “We do everything for your love” (2018) , “Latino, you have wings to fly” and “Branded Fares: tailor-made flights” where we redesigned our fares structure which provided customized flights so we can adapt to their needs and give them a trip experience that best suits them (2019).

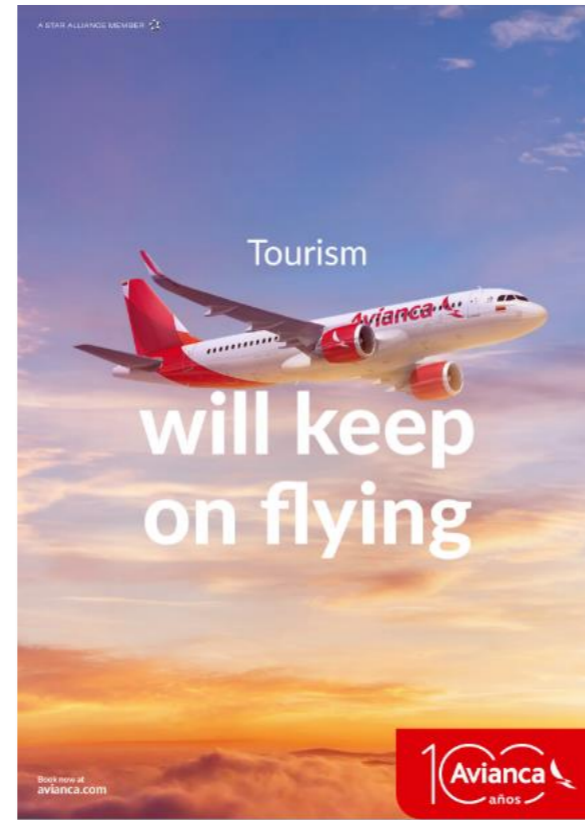
As we mention before, 2020 was one of the most complex and challenging years for the aviation industry due to the COVID-19 pandemic. In Avianca, our main objective was to keep our customers and stakeholders emotionally close to the brand, but also well informed of any changes in regulations, flight schedules or Biosafety measures. Due to the high impact of this extreme situation and to fulfill our purpose to connect Latin America to the world, we had to take agile measures to help our customers to reorganize their trips, so we gave them flexible options (.e.g., vouchers and no penalty fee for changes) and different variable tools of self-management to reschedule their flights.

Even though, our purpose to connect remained intact, that is why during 2020 we developed a Global Brand Campaign that was divided in 3 phases:



Phase 1:
Our wings are closed today so we can continue to soar tomorrow.

During this phase we communicated a message based on hope, faith, and resilience as for the first time after overcoming many turbulences in 100 years, we were going to close our wings. We also wanted to encourage our customers to be hopeful and resilient because, thanks to their greatness, Avianca would thrive again and come out even stronger. And when we do, we will open our wings and will keep connecting the dreams, talent, and people of Latin America to the world.



**Phase 2:
Avianca will keep on flying**

We wanted to show nostalgic and inspirational content in a fun and subtle way so our customers could maintain the longing of travelling while we keep them emotionally close to our brand. For example, we created a new section in avianca.com called “Avianca Experience” where people could attend a virtual cooking class, concerts, shows, talks, or even experience a virtual tour of a city or museum. In addition to all those initiatives, we communicated all the humanitarian help that Avianca gave during the COVID-19 pandemic. For instance, transporting medical supplies and humanitarian flights to bring people home with their families.



We launched our Biosafety program called Avianca BioCare, in order to communicate and consolidate all regulatory biosafety measures demanded by this situation so we could soar again. This is how our customers and stakeholders could feel safe and at ease about travelling with us in the future.



We implemented and adopted these new biosafety regulatory measures in all areas of Avianca, from communications, operations to customer journey. Nowadays, Avianca’s BioCare program is part of our DNA.



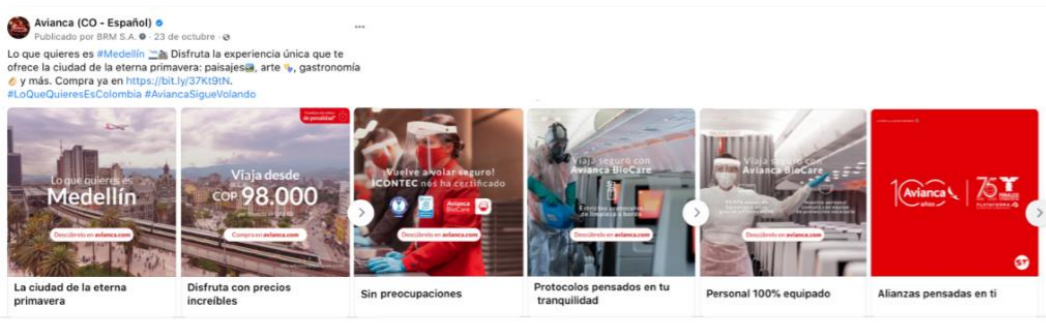
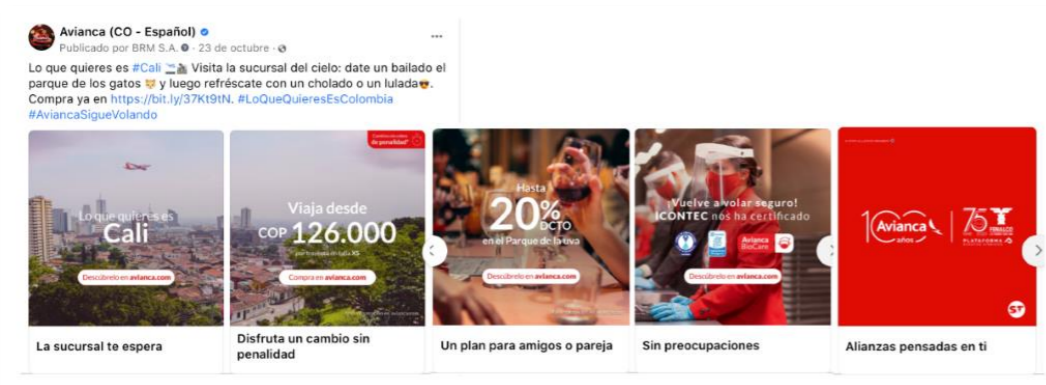
**Phase 3 :
When Avianca Flies, So Does Latin America**

After closing our operations for the first time in 100 years, we were opening our wings again and with us the dreams, talent and hopes of a whole region. We always find a way to uphold the greatness of Latin America, since we know it's not only about us, because when Avianca flies so does the economy, culture, industry and talent of millions of people. Our commitment is still intact: To work tirelessly in order to connect Latin America to the world so the greatness of its people keeps on flying.

The main message of this phase was not only to communicate the beginning of our operations, but also the reactivation of many industries.

Moreover, due to the COVID-19 pandemic, approximately 88% of our customers were afraid to travel, thus we had to reinforce again all biosafety communications. In addition, we partnered up with hotels, restaurants and tourism entities such as FENALCO in Colombia and FENACAPTUR in Ecuador, to bring back the desire of traveling within our customers. That’s how we could help reactive tourism, commercial activity and our region’s economy following all biosafety measures so our customers could travel safely and worry-free. The campaign was named “What You Want Is”.

Campaign’s Implementation References in Social Media:



How Did We Adapt in 2020?

- As we mentioned above, we were forced to close our wings for over 6 months, so we had to adapt and create a mainly digital brand strategy to keep our customers emotionally close to the brand by not only reactivating their longing for travel, but communicating our Biosafety Program, Flexible booking options and self-management tools, so we could maintain our main objective to connect Latin America to the world.
- In 2020, the communication strategy was focused on 3 phases that are well explained in the above chapter:
 - Our wings are closed today so we can continue to soar tomorrow.
 - Avianca will keep on flying.
 - When Avianca flies, so does Latin America.

Our Future 2021

Maintain the KPIs of closeness and consideration in all the markets that we operate.

Support the “Avianca Going Forward” plan for 2021. For more information of the overall strategic plan, please read the About Us chapter.



Loyalty Program

LifeMiles is Avianca's frequent flyer program and is widely recognized for its leading presence in Latin America and its great value proposition. The program currently has over 10,3 million affiliated members, most of them located in Colombia and some other countries of Latin America. Over the years, we have focused on recognizing the value of each of our members, and for this reason we center on offering consistent benefits and unique experiences to reward their trust and loyalty.

How did we adapt in 2020?

Our members' safety and peace of mind were our top priority in the face of 2020's COVID-19 emergency. With this in mind, we adapted several of our policies with the commitment to take care of our members' flight plans and travel needs:

- All members who earned an Elite Status for 2019 had their status extended automatically until January 31st, 2022.
- Elite qualification requirements for 2020 were reduced by 50%.
- All Elite qualifying miles earned in October, November and December 2020 will count towards members 2021's elite qualification.
- We paused the miles' expiration scheduled between April 1st, 2020 and December 31st, 2020. Currently, this policy is extended until July 31st, 2021.
- We postponed the expiration date for some upgrade certificates until December 2021.

Our future 2021

During 2020 we have been working on redefining the program and making it simpler and easier to understand. The following adjustments were effective as of January 2021:

- Red Plus, a new first tier Elite entry level, which will help encourage those members that do not fly so often, to do it only with Avianca.
- A new miles accrual model for Avianca flights was implemented, based on the fare purchased by members, instead of the flown distance.
- Lower Elite Qualifying requirements were announced in line with the new flight accrual model. Additionally, these requirements were reduced by up to 40% for 2021 due to the current COVID-19 situation.
- Requirements to achieve Elite Status were simplified to two conditions: Elite Qualifying Miles and minimum miles flown with Avianca.
- We extended the miles expiration pause through July 31st, 2021.

THE WAY YOU FLY HAS CHANGED, AND SO HAS OUR PROGRAM

Five Star Major Airline More comfort of passengers

At Avianca we want to continue rewarding your loyalty, which is why we have simplified our Frequent Flyer Program so you can start 2021 enjoying more benefits.

LifeMiles Red Plus

This is Red Plus

The New Elite Level

Starting January 1st, 2021, there will be a new first level so you can start enjoying an Elite experience.

New mileage accrual model

Starting January 31st, 2021, you'll be able to calculate your accumulated miles by multiplying the fare* times the factor that corresponds to your Elite level. To qualify, only the miles multiplied times 5 count.

Fare* USD	x	5x	6x	8x	9x	11x
		Red Plus	Silver	Gold	Diamond	

For example, if you purchased a USD \$100 fare, you have to multiply times **x5** to obtain the qualifying 500 miles.

Be a part of the Elite program to be able to accrue more miles and enjoy great benefits.

[Learn more](#)

*Dollar fare. Does not include fees, taxes or services.

We simplified the requirements to win your Elite status:

Which is why, starting January 1st, 2021, you only have to fulfill the following two requirements:



Qualifying miles



Minimum Avianca miles

We have new goals to qualify for the 2021 race, which we reduced due to the current situation.

	Qualifying Miles*	
	2021 Goal	2021 Goal Adjusted due to COVID
Red Plus	11.000	8.250
Silver	16.000	11.200
Gold	29.000	18.850
Diamond	48.000	28.800

*80% of Qualifying Miles must be earned on Avianca



06 | **Our customers, the top priority**

This was a year where we continued with the challenge of focusing on our client experience but in the context of the new global situation. We worked on processes to improve each touch point in the customer journey, guaranteeing that the insights received from consumers through the NPS and IQs indicators were considered as fundamental inputs in the construction of different initiatives. In this way, we were able to see in a transversal manner how these processes were impacting the client.

Therefore, the new COVID-19 outbreak made the 2020 a tough year for the industry, but we managed to still deliver a consistent and safe experience to our clients. As an airline we had to adjust all our processes to the legal requirements of the countries we flight to, as each one requires the passengers to take different actions to be admitted.

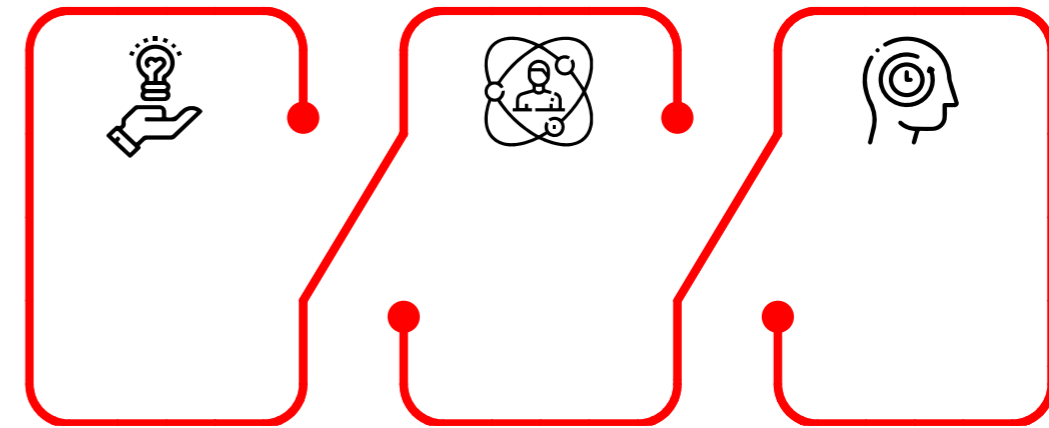
Managing COVID-19 factors that have an impact on the operation

We have identified various internal and external risks to which our operation is exposed and that can affect client's perception of our services. These include infrastructure at airports, suspension of operations due to social issues or natural emergencies, restrictions imposed by different countries and other situations outside our control.

Having this in mind, during the first quarter of 2020 we started to prepare our operation to the shut-down or as we called it, our ramp-down, but as soon as our operation was fully stopped, we immediately started working on the re-start or as we called it, the ramp-up. In order to fly again, we had to align all our processes (airport standards, legal, operational and biosecurity requirements) so we were ready to operate as a safe and high-quality airline.

Our customer Roadmap Customer Journey

We maintained focus on working through the customer journey, considering every touch point between passenger and the airline, the associated indicators (NPS, IQ) and how this applies to the current reality. This full overview of the client experience enabled us to identify action plans to either improve processes or redesign them. By understanding the specific needs of our passengers, we could provide a unique experience based on three (3) macro-moments involved in the different stages of the trip, although it was a year that made us rethink how we relate to our customers due to the biosecurity limitations.



Imagine:
It is the time for dreaming, planning the trip and searching for the options that best meet our customer's expectations and travel requirements.

Experience and enjoy:
It is time to make the travel experience a reality by flying to our client's destination.

Remember:
The trip has ended, and it is time for the customers to tell us about their experience and to plan their next destination.

Experience and Enjoy

Visit the VIP lounge:
Due to the biosecurity protocols, our lounges remained closed for the sake of our passengers and our employees. We are awaiting to be open next year if the current situation allows us.

Pass through security, immigration, and customs:
We have worked as close as possible with the concessionaires and authorities to be aligned in all processes, even though we have no control over this part of the journey. This, with the purpose to make the experience of our customers as seamless as possible.

Check in:
As part of the biosecurity protocols, we encouraged our passengers to do the web check-in, so they were able to have a smooth baggage drop-off process with as less contact as possible.

Board:
Since the pandemic started, we have been working to update our boarding process, so the social distancing protocol and authorities' requirements are guaranteed with smaller groups of no more than nine (9) passengers per group.

Fly:
In March 2020 Avianca Plus was implemented in line with the "Vuela a tu Medida" (Customized Flying) Branded Fares Project. This product offers our customers the possibility to seat up in front on the plane with a little bit more pitch. Finally, starting September 1st, 2020 we simplified our on-board service to ensure the safety of our customers and our crew.

Imagine

Plan - Research:
As of September 1st, we launched a new informative section on our web page to communicate all the information related to Avianca BioCare. Also, regarding every existing restriction on each country we are currently flying to and every action we have implemented before the flight, while in the airport, while on the plane and after the flight. Finally, we updated our travel tips email so our passengers can receive relevant information regarding their destination.

Imagine:
We now provide our customers with a new web page that has a clearer and intuitive way to navigate around. Also, we have been constantly improving all new measures adopted by the company during the 2020.

Purchase:
Having a new web page not only implies a new way to navigate our site, but also a brand-new way to shop on our site in a faster and clearer way.

Remember

Petitions, complains and claims:
It was a tough year, but we addressed our petitions through self- reaccommodation and different initiatives that allowed our customers to self-manage some main process.

Return:
We extended the elite status to all our elite members for the whole 2021.

Net promoter score (NPS)
The Net Promoter Score (NPS) measures our passengers satisfaction with our services and their willingness to recommend them. In each touch point of the consumer journey, we can identify what we are performing well or what we need to improve.

In 2020 we had to stop the measurement of this KPI from March until July when we started to fly again in some regions
NPS performance in 2020= 45.4%
NPS goal in 2020= 10%%
In 2020, our score + 4.3 points compared to 2019

Own indicator: Complaints Index (IQ)
The Complaints Index allow us to determine the number of complaints received in relation to the number of transported passengers (number of complaints per 10,000 transported passengers.)

This year indicator is not comparable with 2019 due to the cessation of operations and subsequent reduction in flight numbers caused by the sanitary emergency and COVID-19 pandemic.
IQ=111
We have been certified by APEX as a 5-star mayor airline for 2021.



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IQ=111

How we adapted our experience at airports during 2020?

- At airports, during 2020 we have focused on improving operational efficiency, reflected on the evolution of the operational indicators (0 min, On time Performance, Schedule Completion, Mishandling Baggage) and on cost efficiency.
- This has allowed us to be much more efficient and provide a better service to our passengers. Here are the most relevant milestones:
 - Aligned with the new biosafety scheme, we generated a strategy that impacts on the reduction of travel costs and guarantees compliance with the update of regulations, creating all the trainings virtually.
 - We designed the operation to guarantee the new processes regarding the biosafety scheme, optimizing and creating efficiencies. This allowed us to comply with the service indicators.
 - We adjusted the operation to the new reality regarding COVID-19 by monitoring and controlling the registration and execution of the services associated with the operation of the airports.
 - At airports, processes such as check-in, boarding, and baggage delivery have been adapted and changed. This allowed us to follow the new biosafety guidelines and guarantee the flight departure on time.
 - We launched the Flight Order project⁴ in parallel with the operational processes, both in ground operations and airports services, which allows meticulous traceability of services, guaranteeing the real execution of the budget.
 - We aligned our cleaning and biosafety processes to the highest industry standards. We achieved the Certification by Icontec for our Biosafety protocols.
 - We achieved the successful activation of 57 airports in 25 countries, without having any type of incident.
 - We accomplished savings of USD 14 million in the optimization of physical and relief spaces at the airport, not used because of the COVID-19.

We mitigate the impact in the event of operational irregularities. Our Customer Protection Center (CPC)

We know that sometimes there are involuntary changes that adjust the itineraries of the passengers for multiple reasons. In 2020, the closure of air borders due to the health emergency declared worldwide by COVID-19 has been the largest impact event in the history of the company to date, leading us to cancel since mid-March more than 130 thousand flights to 2,8 million of passengers. During this operation reduction process, we guaranteed the highest protection available to passengers on operating routes.

Before restarting operations in October, we improved our internal tools and our customer protection procedures, to start with a more efficient operation at the beginning of October 2020.

4. Flight order is the SAP tool that allows us to validate the services provided by our suppliers in our flights and to control billing costs. Connects the operation with the financial area by assigning costs to a specific flight, providing reliable data and flight profitability analysis. Implemented in Bogotá, Quito, and Guayaquil.

How did we adapt in 2020?

We focused on offering our customers a personalized experience, and we adjusted to their needs and preferences through the “Customized Flying” Branded Fares model.

We incorporated Avianca BioCare, which is an initiative not only to comply with every single requirement, but also to communicate them to our passengers throughout all our channels (social media, web page, APP, call center and airports) in the most effective way possible. This initiative has become the #1 reason on our promoters in the NPS indicator.

We have been awarded with the Safe Travel seal, which recognize we are a safe company to travel inside Colombia during the COVID-19.

During the flight, the passengers experienced a new standard on our onboard service, making the BioCare program extensible to all our touch points. Due to the COVID-19 we have simplified our service so we can guarantee as less contact as possible with prepacked meals and single presentation drinks. Also, all our crew (flight attendants and captains) complied with the biosafety measures to protect both the passengers and themselves.

We implemented the virtual assistant throughout the entire operation. Consequently, travelers can make inquiries through Messenger in Facebook, such as: check-in, flight price quotations, flight status, search for a reservation, update personal information and weather forecast.

We implemented more efficient processes under the development and implementation of tools that improved the analysis, protection, and compensation process for clients, delivering better results in less time.

We improved the processing times of irregularities in the operational window, optimizing the itineraries of passengers on flights throughout the network.

We implemented the Compensation Management tool, which allows a faster and more controlled delivery of compensation, generating savings in the process.

We developed a more personalized experience in passenger protection through the self-reaccommodation tool.

We implemented automatic rules in passenger rearrangement systems that will automatically protect the customer on the best possible flight.

We made progress in the challenges we took on 2019

We adapted the experience of our clients by reviewing the necessary protocols, checking each point of contact, and making the necessary adjustments. Key improvements are explained in the customer journey graphic above.

We improved internal communications on operational information through a single channel (IROPS.COM) in order to standardize the processes in the various areas involved on the Customer Journey.

We adjusted the process of controlling and tracking compensations management, achieving a 37% decrease in the cost of compensation compared to the previous year.

Our future 2021

Improve the level of self-service for our customers through digital channels, with more tools available to self-manage their requests.

Adjust our on-board service aiming to comply with the highest standards of biosecurity.

Promote the personalization of our products so the passengers can choose how they want to travel with us in a tailored journey.

Improve customer experience and productivity of our people with the best technology available to manage irregularities.

Promote the diversification of sources of value, ensuring a profitable and sustainable business over the long-term.



07 | Operation management: risk and safety

Our Strategic Business Units

Avianca Holdings S.A. is a multi-Latin company that holds investments primarily in passenger airlines, cargo airlines, its LifeMiles loyalty program and related activities including tourism, engineering, maintenance and specialized maintenance services. This has enabled us to move forward in our path to become the preferred Latin American airline in the world.

We work to promote diversification through the generation of new sources of income, growth, and profitability for our companies. Through the Holding company's strategic business units, we create value for our stakeholders and strengthen our three business lines: passenger transportation, cargo and courier and loyalty.

Relevant figures:

- 65,096 tons transported per year.
- 2,483 domestic and international corporate customers.
- 126 points of sale + 60 retail establishments in Colombia.
- 1,060 domestic destinations.
- 223 international destinations through partnerships with UPS and Avianca Cargo.



We provide multimodal transport logistic solutions for delivery of documents, parcel, and merchandise at national and international level, optimizing the use of the airplanes' bellies in domestic flights and leveraging our international operations with the network of Avianca Cargo and other global partners. At Deprisa, we provide a complete portfolio of services reaching millions of people and corporate clients in Colombia and other countries.

We seek to maximize our contribution to the Holding company through the improvement of the unit's efficiency in a sustainable way. This, by exercising strict process control-oriented to better manage customer service schemes whilst minimizing incremental costs associated to the distribution of documents and packages. Consequently, a culture of optimization has been created across the entire organization.



How did we adapt in 2020?

In 2020 due to the COVID-19 pandemic, Deprisa faced various strategic and operational challenges by the cancellation of passenger flights and the restrictions imposed by lockdowns. We undertook different initiatives to reduce the impact of the pandemic, striving to deliver good service to our customers, guaranteeing to meet all the safety protocols. Among these initiatives we can find:

- **Security Controls:** From the beginning of the health emergency, we implemented requirements established by the national government in resolutions 666 and 667 of 2020, in order to operate safely, within this included: provisions for our collaborators, training, adjustments of our facilities under security standards, disinfection, safe delivery protocol, among others.
- **Land Transport Migration:** We designed routes to migrate part of the shipments that we were mobilizing by plane and it was defined as a guideline to focus air operation on premium and cargo services.
- **Productivity optimization:** We addressed our organizational challenges related to last-mile productivity, continuously striving to allocate resources correctly to increase efficiency with lower costs in the distribution process. This is achieved through information, supplier control, strengthening of the key control areas and operational planning.
- **Customer Service Focus:** We defined and implemented new service-oriented processes and metrics throughout the organization, to guarantee improved process flow monitoring, faster contingency response, and better service recovery times from the customers perspective.

Our future 2021

- Continue the Deprisa's transformation in a more efficient and attractive business unit, improving our customers' experience.
- Mitigate the effect of COVID-19 through Business optimization and increased productivity.
- Strengthen technological capabilities in the light of increases in demand and requirements of electronic commerce.
- Redefine national and international services portfolio according to new market needs and land and air network conditions.
- Innovate in our internal performance and alternative means of transportation to ensure greater agility and efficiency.





We operate Avianca's Loyalty Program through LifeMiles Ltd, including the frequent flyer program. This business unit sells miles to Avianca as well as to third parties, and operates the commercial partners network, which enables the accumulation of miles and/or their redemption for products and services. LifeMiles has over 10 million members worldwide. Our main markets are Colombia, United States, El Salvador, Costa Rica, Guatemala, Honduras, Nicaragua, and Ecuador.

LifeMiles is an important source of profitability and cash flow for Avianca Holdings. These activities increase customer loyalty and attract new customers to the airline, many of whom join the program through the LifeMiles commercial partners network, which includes banks, apparel stores, restaurants, among others.

In addition to offering a best-in-class experience to its members, LifeMiles is undertaking initiatives that will strengthen its value proposition in e-commerce and digital payments.

Through the program, our customers can earn miles by:

- Traveling with Avianca and our air partners (including Star Alliance airline members).
- Making purchases with their LifeMiles co-branded credit cards or redeeming points from other programs in LifeMiles.
- Using services of our non-air partners (hotels, car rentals, business partners and experiences).
- Participating in promotional mileage purchases (2x1, multiply your miles, and others).

Miles earned can be redeemed for flights, services, and products from the program's commercial partners. Likewise, they can be donated through the Banco de Millas (Miles Bank) program, which supports the most vulnerable children from the Latin American cities where Avianca operates who need to travel to receive specialized medical assistance.

Relevant figures

- +10 Million members enrolled in the program
- +4,200 Points of sale in the non-airline partner network
- +560,000 Active co-branded credit cards
- +750 Active commercial partners

How did we adapt in 2020?

- We achieved significant growth in our partner network in Colombia, El Salvador, Guatemala and Costa Rica, with the inclusion of companies such as Uber, Holiday Inn and prominent Inditex fashion brands (Pull & Bear, Zara, Oysho, among others).
- We launched new products, such as "Miles Care" (travel insurance) and "Credits" (intelligent discounts that can be redeemed together with miles), significantly strengthening our value proposition to members.
- We entered strategic partnerships to develop our *Mobile Wallet* and *Online Marketplace*, which will help us leverage secular trends in digital payments and e-commerce.
- We executed successful conversion and direct sales promotions, denoting our members' faith in our loyalty currency and their intentions to travel in the not-so-distant future.

Recognitions

In 2020, we received our Freddie Award #13. On this occasion, in the "Best Promotion" category for selling air miles directly to our members. LifeMiles has been the only frequent flyer program in Latin America to receive this award since 2012.

Our future 2021

- Grow in our main markets: Colombia, Andean Area and Central America, through the reinforcement of our business partner network.
- Position ourselves strongly in digital payments and e-commerce.
- Continue offering superior value to our members on redemptions.
- Continue investing in Information Technology-IT and commercial innovation to improve our members' experience.

Avianca Cargo



Through our Cargo business unit operated by Tampa Cargo airline, we offer effective and innovative solutions for shipping cargo to suit our customers' needs. We transport goods and merchandise on freighter aircraft (Airbus 330F, Airbus 300F, and Boeing 767F of subsidiary companies of Avianca Holdings S.A.) and using available capacity in the bellies of passenger aircraft. We carry different types of cargo, meeting strict international industry standards for the transport of live animals, hazardous goods, human remains, pharmaceuticals, CoolCare, e-commerce, among others, including perishables, which sets us apart as an airline with a track record and experience in their handling.

Cargo has been of great relevance during this period of the COVID-19 pandemic. Keeping our cargo business with our aircraft up in the air, not only with departures on our freighter flights, but also operating "Freighters" (Passenger Aircraft with cargo only), and Special Flights on our passenger fleet, we could make history by reaching new destinations such as China and Amsterdam, generating significant revenues for our company's sustainability.

Avianca Cargo has quickly adapted to new market conditions and has managed to deliver positive results despite the reduced belly cargo capacity caused by the COVID-19 outbreak. We expect this to keep growing and strengthening in the near future, especially now that we have the chance to become the best partner in Latin America for the expedited distribution, and correct manipulation of the COVID-19 vaccine which will be our next great mission. Also, we will continue looking for strategies that will help us increase cargo capacity with cooperative plans with Avianca Holdings where we can take advantage of the existing fleet of passengers. We are expanding on new routes in both freighter aircraft and passenger planes now carrying cargo in the ramp-up process. Avianca Cargo is a key business unit inside Avianca Holdings and will continue supporting the passenger business.

Relevant figures

- 85,902 departures (12,518 Freighter flights, 369 Ghost Flights)
- -67.23% departures variation (-71% Bellies, +21% Freighters)
- 2,080M ATKs (available tons per kilometer)
- -24.42% ATK variation (-67% Bellies, +18% Freighters)
- 1,428M RTKs (revenue ton per kilometers)
- -9.85% RTK variation (-69% Bellies, +28% Freighters)
- 68.6% Load factor (41% Bellies, 76% Freighters)



How did we adapt in 2020?

- 2020 came with extraordinary challenges due to the COVID-19 pandemic and the decrease in passenger flight capacity. At Avianca Cargo, we successfully faced a complex year, overcoming the difficulties through teamwork and commitment from all areas of our business unit; this allowed us to achieve many of our goals; we complemented our Network offering not only our regular cargo destinations, but enabling new ones through a historical fleet utilization in Avianca Cargo (13.6HB/day +5.5% in A330F). Similarly, we had the best average rate in our network compared to the previous years, more than 15% vs 2019. Based on this rate increases Avianca Cargo achieved exceptional contribution margins in our freighter network, which enabled us to overperform our revenue targets despite the decline on passenger capacity of 67%.
- During the pandemic we kept our planes in the air with 12,000 freighter flights (+21% vs 2019), more than 350 cargo flights on our passenger planes and over 50 special passenger flights, making history by arriving for the first time to new destinations such as China and Amsterdam, generating important revenues for the sustainability of our company.
- Avianca Cargo managed to adapt quickly to the new market conditions despite the reductions in passenger flights, increasing frequencies to Europe by 6 times vs. 2019 (MAD, AMS and ZAZ) and added new freighter flights to/from SAP, SAL, JFK and MEX and launching a new multimodal sea and air service to improve its connectivity. The next challenge that lies ahead is the vaccine transportation, for which a multidisciplinary team has been put together to take the necessary measures to allow the timely, adequate, and safe handling of the vaccines.

Our future 2021

- Be more efficient in our operation, service, and processes to face competitors' challenges, industry rates, and negotiation with clients.
- Strengthen our participation in Europe with operations in freighters and bellies of the passenger planes.
- Increase sales potential in Asia and where we need to leverage with our interline partners for both import and export cargos to/from Latin America through common hubs.
- Face the handling of Pharma products, which require special conditions for their transportation, such as detailed and precise temperature control zones, we will continue working to offer this special transportation service in the main stations where we operate.
- Focus on the modernization of our operation with the implementation of the new ICargo Sales, Operations, and Mail system. Consolidating a complex IT back-end into a strong, next-generation cargo management environment; delivering an enhanced customer experience and providing a powerful set of tools to deliver greater value to our customers.
- Prepare throughout the supply chain for a successful distribution of the COVID-19 vaccine.
- Redefine our portfolio to offer new business opportunities through Avianca Logistics.



Servicios Aeroportuarios Integrados (SAI)

Through our business unit SAI, we have provided ground handling services for 30 years, which include:

- Ground operations service: ramp operations for all types of aircraft.
- Passenger service: counter check-in, boarding gates, baggage handling, and ticket sales operations.
- Special services: unaccompanied minors-UNMR and wheelchair-WCHR services.
- Dispatch services: local and centralized aircraft dispatch operations.
- Charter and special flight services.
- In 2020, we started a new service to clean and disinfect the spaces and surfaces.

We have 19 clients in our services portfolio, notably: Avianca and its subsidiary airlines, Aeroméxico, Jetblue, Delta, Aerolíneas Argentinas, American Airlines, Iberia, Turkish Airlines, KLM, Air Canada, and Spirit.

We have presence in 13 bases: Bogotá, Rionegro, Bucaramanga, Cali, Cartagena, Montería, Pereira, Armenia, Neiva, Ibagué, Corozal, Pasto and Barranquilla.

Relevant figures

- 35,018 flights served.
- 3,802,568 pieces of baggage transported
- 39.062 tons of cargo handled in airplanes
- 89,729 wheelchair services provided
- 987 non-powered ground support equipment units
- 536 powered ground support equipment units
- 99.52% compliance in transit time

How did we adapt in 2020?

The biggest challenge we faced in 2020 was to keep the company standing despite the effects of the pandemic in the aeronautical sector. For this reason, we implemented the following strategies:

- We launched a new cleaning and disinfection service for spaces and surfaces in aircraft and other places such as offices, warehouses, houses, vehicles, among others.
- We promoted the health care of workers and passengers through the implementation of Biosafety protocols whereby we achieved two certifications shown below.
- We identified the work positions that can develop their activities at home, and we implemented a permanent home office during the COVID-19 pandemic.
- We created a communications plan to keep all workers and clients informed about the protocols and decisions regarding the effects of COVID-19.
- We carried out negotiations with suppliers to reduce rates, increase payment terms, and thereby optimize costs to conserve cash flow for business continuity.
- We carried out a restructuring of the operational and administrative staff according to the projected volume of operations.
- During airport closures, 67% of staff voluntarily took to the unpaid leave program.
- We carried out a reduction in the occupancy of spaces used at El Dorado airport to achieve savings in leases.
- We implemented technological tools to control and manage Biosafety protocols:
 - Temperature control system
 - Daily control of workers' symptoms
 - Visitor access control (suppliers, contractors, and clients)



Other achievements during 2020 are:

- We improved the perception of our clients, achieving a rating of 4.64 points compared to 4.5 points from the previous year (rating above 5 points).
- We innovated our technology with the implementation of new tools and developments:
 - Virtual training tool to manage classes, audiovisual material, assistance, and evaluations.
 - A biometric facial identification device.
 - Tool for managing personnel on-ramps per flight.
 - Improvements in the administration system for passengers with reduced mobility.
 - On the job training-OJT System: Monitoring and control tool for personnel field training.
 - Operational indicator's portal (Power BI).

Recognitions

- We achieved the ISAGO certification- IATA Safety Audit for Ground Operations.
- We achieved the certification check in seal and safeguard seal, granted by Bureau Veritas.

Our future 2021

- Expand our operations to new cities in Colombia.
- Expand our operation to new clients in cities where we have presence.
- Increase operating cost efficiency by five percent (5%) through the implementation of IT tools to improve resource scheduling.
- Maintain 100% of current customers.
- Consolidate our organizational culture.
- Increase investment in technology to improve our customers' experience.



Aviancaexpress

Through our Regional airline, operated by Regional Express Americas S.A.S, we offer regional flights inside Colombia, with the purpose of serving point-to-point routes within Colombia and interconnecting different regions with the international network operated by Avianca S.A. The main HUB of the company is located at Bogotá attending flights to Corozal, Barrancabermeja, Florencia, Ibagué, Manizales, Neiva, Popayán, Villavicencio and Yopal. Also, the company operates flights from Cali to Pasto and Tumaco. In the first quarter of 2020 we operated additional routes from Bucaramanga to Cartagena, Cúcuta and Santa Marta, although these destinations were canceled due to the situation caused by the COVID-19.

The company's consolidation is a major step forward in the purpose of transforming the Holding. All the processes have been implemented in accordance with the Avianca Holdings transformation plan, always based on generating operational and cost efficiencies, and on the evaluation of improvements in the different operational processes that can be replicated to a greater scale at other Holding's companies.

Relevant figures

- 6,623 departures
- 103,572,521 available seats per kilometer- ASK
- 70,405,102 revenue pax per kilometer- RPK
- 68.0% load factor-LF

How did we adapt in 2020?

- Due to the COVID-19 pandemic, the company began the process of adapting its operational standards to comply with the new biosafety regulations and requirements. The company achieved the ICONTEC's Biocare certification.
- Due to the restrictions imposed as a consequence of the COVID-19 pandemic, we restarted our operations gradually, adjusting our network, adjusting service patterns and frequencies offered. The company adapted to the market's needs by increasing the number of operations in order to achieve during 2021 the same volume of frequencies prior to the pandemic.
- As part of the company's adaptation to the needs of the markets and with the objective of continue providing our connection service between the Regions of Colombia, the company evaluated the performance of operations from cities other than Bogotá and that are not currently being operated by us or Avianca S.A., performing point-to-point operations in order to complement the actual offer in the market. It is estimated to start operations from January 2021 from Bucaramanga to Cartagena and Santa Marta.

Recognitions

- On June 2020 we received the permanent certificate for operations in the Enrique Olaya Herrera-EOH Airport in Medellín, Colombia.
- On September we received from the Instituto Colombiano de Normas Técnicas y Certificación -ICONTEC

Our future 2021

- Incorporate eight (8) aircrafts ATR-72 to expand the network.
- Achieve the IATA Operational Safety Audit-IOSA certification in the first semester of the year.
- Start the operation from Bucaramanga to different destinations and from Bogotá operating Cartagena and Santa Marta.

Other business units

Other business units

In addition to the business units, we hold an indirect minority shareholding in Éxito, Viajes y Turismo S.A.S., the leading agency in tourism packages in Colombia. This business unit is included in the list of companies we have decided to divest, in line with our “Avianca 2021” plan.

We also have two (2) business units of Aerovías del Continente Americano S.A., which are:

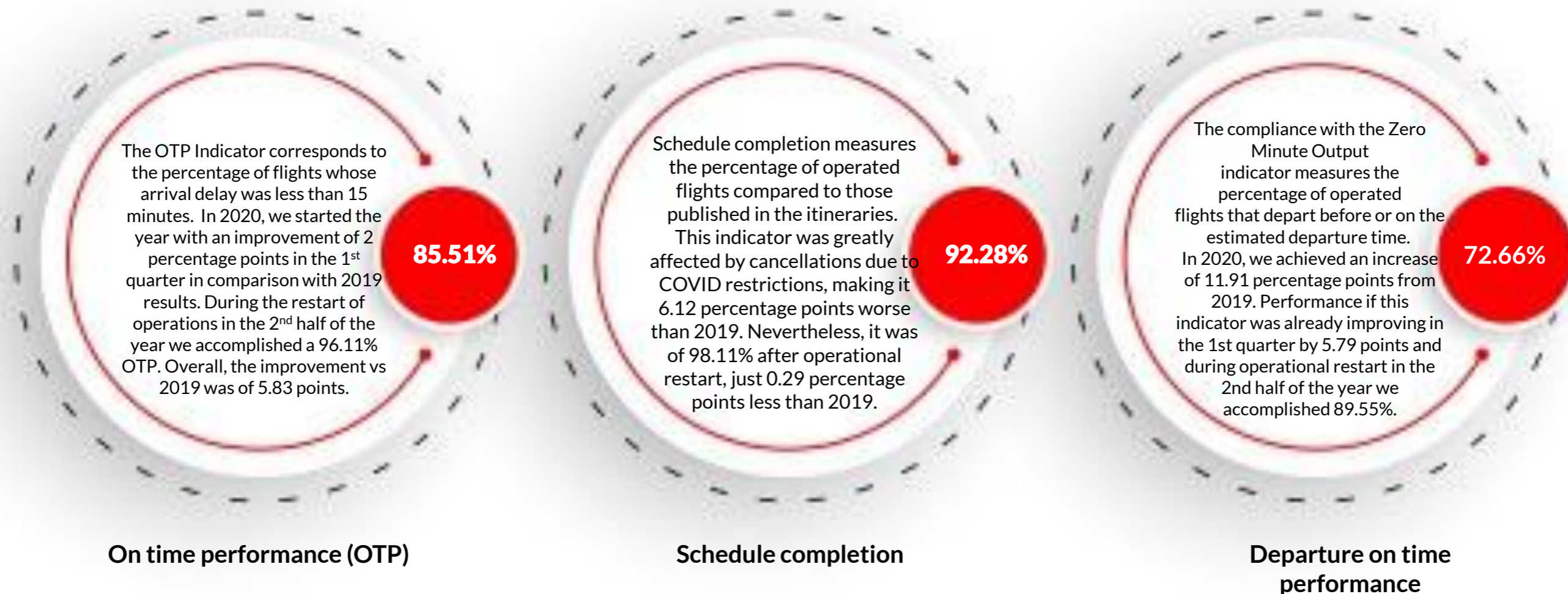
Avianca Tours: Through Avianca, we create tourism packages throughout the company’s route network, finding offers in services such as accommodation, car rental, tours, excursions and activities.

Avianca Services: At Avianca Services, we provide and sell airport, engineering, maintenance and training services.

Traveling together on time

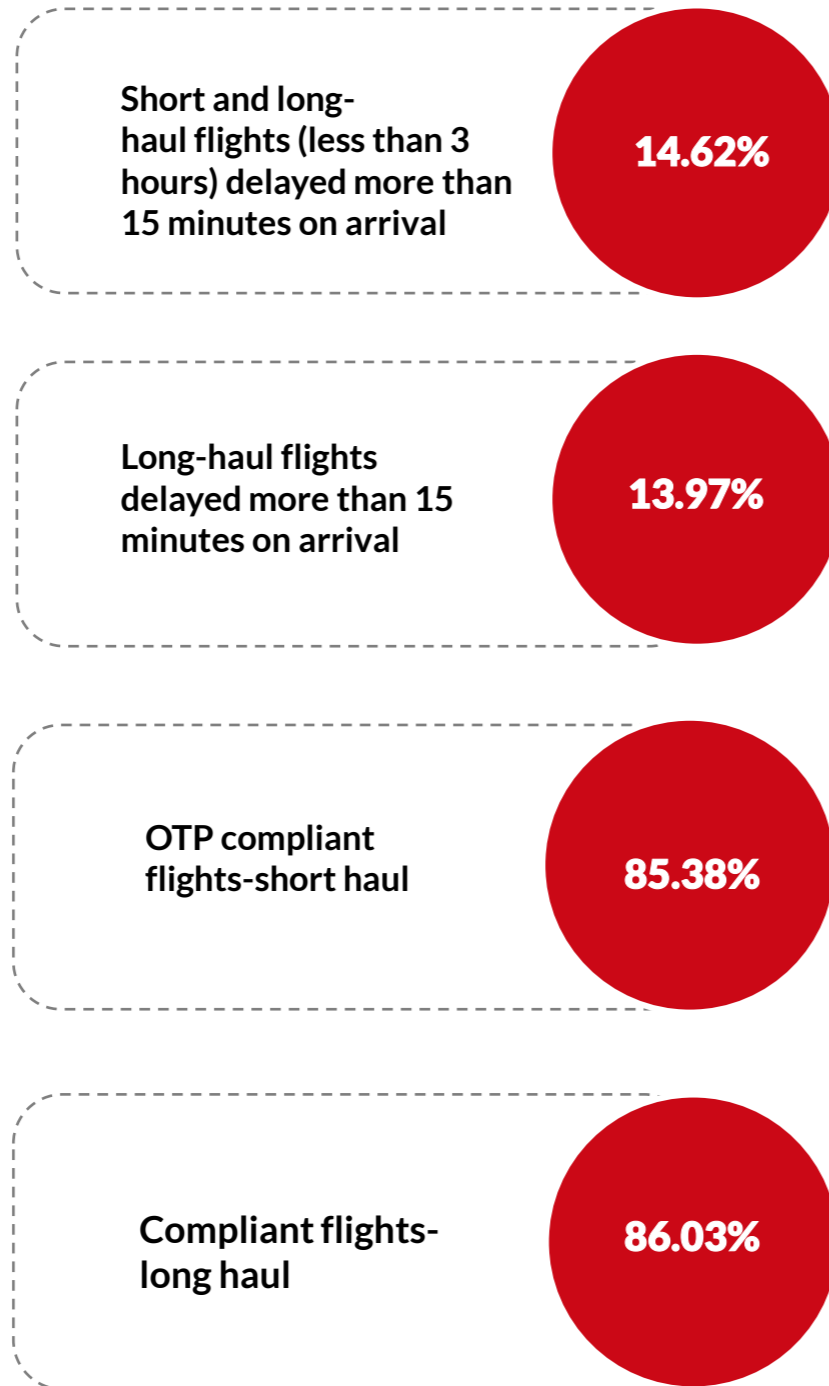
We know that every minute counts when we connect our passengers with their destinations, so we have in place different KPIs to measure the performance of our flights which allow us to take action to improve our operating performance and, therefore, provide the best experience to our customers.

Own indicator:





Short and long-haul flights



Development of operations under safety, risk management and compliance framework

At Avianca, we want to ensure management focused on risk mitigation and compliance with the regulations applicable to the company and its subsidiaries.

In accordance with this objective, we work based on an Integrated Safety, Risk and Compliance Management System (SGSRC, for the Spanish original), aimed to provide a methodology focused on risk management, through which we can prioritize the use of resources according to the risks that most affect performance, simplify management of deficiencies and breaches, and maintain the company's sustainability in the long term.

We also performed our operations efficiently and profitably, managing safety, risk, and compliance in a cross-cutting manner throughout the company and its business units and guaranteeing change management.

This system has been established based on applicable management system regulatory frameworks, regulatory requirements and best business and industry practices.

Objectives of the integrated system have been established according to the organizational strategy, with the aim of aligning safety, risk, and compliance management with the company's goals.





Three Lines Model

The aim of the model is to ensure adequate risk management and supervision by classifying the functional areas and their responsibilities. The entire system is based on the three lines model, which enables our strategic risk management at all company levels.

Senior Management Setting an example and consistency in safe, ethical and compliant behaviors



First Line:
Comprised of the people directly involved in the business or operation



Second Line: Led by the Safety, Risk and Compliance department



Third Line: Led by Corporate Audit department

We have defined the responsibilities of each one of the company's positions to ensure that risks are effectively managed, and the opportunities are strengthened to guarantee the sustainability, efficiency and effectiveness of Avianca Holdings.

We manage comprehensive safety in our operations through the identification, analysis, treatment, and monitoring of risks in accordance with our risk management cycle; we have stated the following corporate policies:

- **Risk Management System Policy**

- **Corporate Information Security Policy** ————— | Cookies Policy for the digital channels

- **Environmental Management System Policy**

- **Comprehensive Safety Policy⁵** ————— |
 - AVA Comprehensive Safety Policy
 - 2K Comprehensive Safety Policy
 - TAI Comprehensive Safety Policy
 - ISV Comprehensive Safety Policy
 - GUG Comprehensive Safety Policy
 - SJO Comprehensive Safety Policy
 - QT Comprehensive Safety Policy
 - Deprisa Comprehensive Safety Policy
 - Latin Logistics Comprehensive Safety Policy

- **Avianca Holdings Business Code of Ethics and Code of Conduct** ————— |
 - SIPLAFT Policy
 - Avianca Holdings Anti- corruption Policy
 - Child Sexual Exploitation Prevention Policy
 - Policy for management of conflicts of interest of managers and directors of the organization

- **Information security and cybersecurity Policy**

- **Privacy policy:** ————— |
 - Privacy Policy for Clients, Travelers and Users
 - General Privacy Policy in relation to Human Talent Processes of the Companies
 - General Privacy Policy for Suppliers

- **Avianca Holdings Business Continuity Management Policy**

5. The holding company's names for the companies listed in the Comprehensive Safety Policy are: Avianca S.A. (AVA), Avianca Ecuador (GLG), Taca Internacional (TAI), Isleña (Avianca Honduras) (ISV), Aviateca (Avianca Guatemala) (GUG), San José Costa Rica (Avianca Costa Rica) (SJO), and Tampa Cargo (TPA).



ERM and crisis management

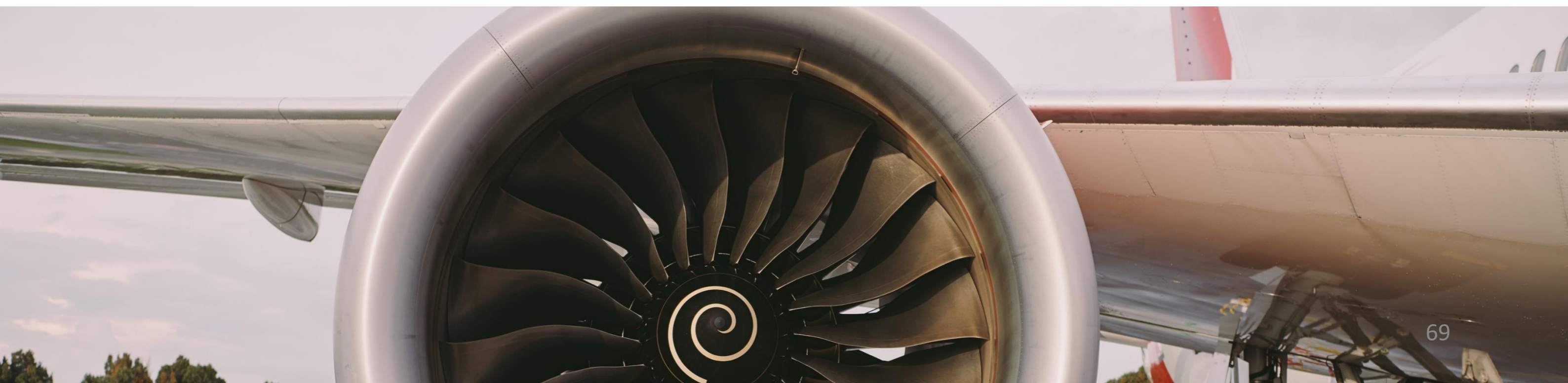
Enterprise Risk Management contributes to the achievement of Avianca Holding's objectives. Corporate Risk and Business Continuity function designs, implements and maintains an ERM system that allows the organization to manage risks across all functional levels. As a reference we have based our system under ISO 31000 and COSO standards for Risk Management. It is based on a strategic perspective and project-based approach, as well as an operational focus in the processes identified in our business model and value chain.

Our aim is to be prepared to respond in a timely and efficient manner to any situation that can arise inside or outside the company causing a crisis, emergency, or contingency.

2020 has represented important challenges for aeronautical industry due to COVID-19 crisis. Given this situation, at the beginning of the year was necessary to reset the *Enterprise Risk Map*, considering the increasing and materialization of pandemic risk and contemplating its impact on the whole business focus and its associated risks. In this way the following risks were analyzed: revenue plump-down, operational risks regarding the operation detention, contagion risk within both employees and customers, risk of non-compliance with regulations regarding the pandemic, among others.

Regarding *Enterprise risk map*, at the end of the year the main risks which represent bigger challenges for 2021 are as follows:

- **Commercial Risk:** ability to recover the market demand at expected levels due to the economic recession, low confidence, changes in travelers' behavior trends, especially in corporate customers who prefer virtual meetings and teleworking, and in this way minimizing travels. Aggressive behavior of competition.
- **Reputational Risk:** it is relevant because of the high exposure Avianca Holdings has over current processes, relationships with governments and some investigations in course.
- **Political & Regulatory Risk:** changes in policies and requirements from governments and authorities for airlines to operate. Inability of governments to provide enough reliefs needed by the industry. United States instability due to president elections.
- **Change Management:** ability to effectively redefine and adapt the business facing the industry changes, the situation worldwide and company's needs to exit Chapter 11 and be sustainable in the long term.
- **Labor Risk:** changes and decisions needed from the labor side, as part of the strategy to emerge from the crisis.
- **Financial Risk:** decreasing in liquidity levels due to the operational detention and revenue plumped. Also, challenges to achieve Debtor in possession-DIP long term refinancing when getting out from Chapter 11, and ability to make a proper execution of the restructuring plan including company's cost structure adjustments to achieve the required profitability levels to guarantee long-term sustainability.
- **Cyber Risk:** losses of confidentiality, availability, and integrity of information, as well as service refusals from instructions or cyberattacks on the IT infrastructure.





ERM Cycle

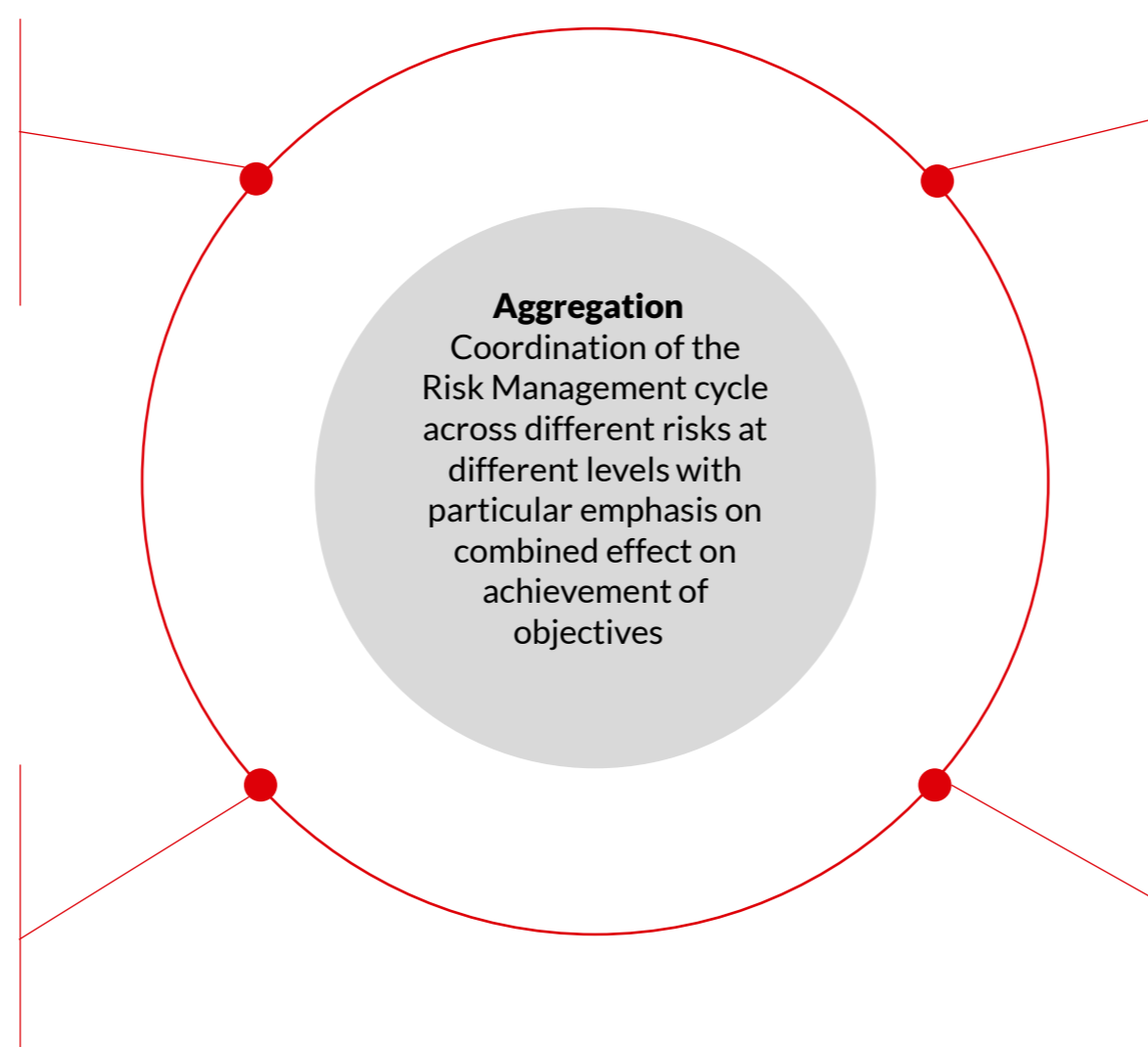
ERM is based on five (5) core activities or components:

Supporting elements:

- **Governance:** defines roles and responsibilities for effective risk management.
- **Dialog:** establishes the formal processes in which decisions are made regarding risk treatment or acceptance as well as the guidelines to communicate risk management.
- **Methodology:** guidelines, principles, framework, and process for managing risk.
- **Culture:** defines behaviors and mindsets that employees shall adopt regarding risk management and compliance.
- **Response:** activities to carry out once a risk has occurred to reduce its impact. This activity covers crisis management and response planning and execution.

4. Monitoring
Tracking execution and effectiveness of risk treatment actions taken, as well as evolution of the risk itself over time

3. Treatment
Developing options how to respond to specific risks and deciding which ones to undertake



1. Identification

Surfacing and basic description of risks, both formal (e.g., risk register) as well as informal (key assumptions in plan). Considers internal and external.

2. Analysis

Deeper insight on specific identified risks. Assessment of consequences, likelihood, and existing controls

 **Own indicator: Safety, risk and compliance**

This indicator measures the risk levels and management of the timely resolution of the findings identified in investigations, audits, assessments and inspections carried out by the risk and compliance systems, as well as the action plans proposed by the areas to mitigate the identified risks. In 2020 we included the measurement of Safety Performance Indicators (SPIs) as a new component, seeking to focus the organization efforts on solving identified safety problems and increase the effectiveness of the action plans.

In 2020, a score of 80.77% was obtained in this indicator, having a goal of 80%, which is 0.77% over the expected result. This shows the great effort made by the organization to maintain safety at acceptable levels in the operation, maintain the on-time response to findings and the implementation of the mitigation actions according to the planned, despite the great challenges experienced due to the pandemic of the COVID-19 and their impact on the whole industry. This indicator measures the compliance percentage considering the progress in the following components:

- 1. Risk Units (RU):** measures the risk level to which the company was exposed in a given period of time. During the restart of operations, events of considerable risk were experienced, this added to the operational reduction and the new regulatory requirements, resulted in an increase in the risk level experienced compared to 2019, going from 27.2 risk units to 31.07 in 2020.
- 2. On-time closing of findings and action plans:** as a result of the organization's commitment to maintain the on-time response to the findings and execute the mitigation plans, in 2020 this component achieves a result of 87.75%, this is 2.75% above the defined target.
- 3. Compliance with Safety Performance Indicators (SPIs):** in 2019, we started to measure the SPI component in this indicator, achieving a result of: 90%; in 2020, a total of 111 SPIs were measured, obtaining a compliance of 84.68%, which means that 94 risk conditions identified in the organization were mitigated.

Emerging risks
In 2020, we identified the two (2) most important emerging risks for the company in the long term and we established actions to mitigate them:

Risk	Risk description	Potential commercial impact of the risk	Mitigation actions
Economical Risk	Global economic depression during and after the crisis which affects the business, specially at the main countries where Avianca operates (CAM, CAR, SAM). Impacts in fuel process and macroeconomic variables due to US instability after elections.	<ul style="list-style-type: none"> •Revenue loss •Market share loss •Cost increasing 	<ul style="list-style-type: none"> •New commercial strategies •Network plan adapted to the new reality
Environmental Risk	Impacts on business due to climate change, including operational cost increasing, technical and regulatory restrictions.	<ul style="list-style-type: none"> •Reputational Risk •Operational Restrictions •Cost increasing – Specially Fuel •Financial capital restrictions 	<ul style="list-style-type: none"> •Avianca Holdings Environmental Strategy •Participation in ALTA's (Asociación Latinoamericana y del Caribe de Transporte Aéreo, for its original in Spanish) Bio fuel working group



Fatigue Risk Management System (FRMS)

During 2020, we monitored the flight operation to identify emerging risks associated with fatigue during COVID-19 operation and on the return to new operations. Additionally, as a preventive action, Avianca delivered individual tools to help with fatigue mitigation to active Pilots and Cabin Crew. For 2021, we will continue with the FRMS implementation process as Safety management process.

Mental Health Program for Pilots

Our program focuses on promoting the mental health and well-being of our pilots and cabin crew and preventing the factors that could affect them. In 2020, we developed actions such as:

Briefing	Mental Health Monitoring	Refresh Training Program	“Hablemos AbiertaMENTE” (Let’s Talk OpenMIND) Webinar	Communications through the corporate channels
<p>We implemented an infographics guide which provides tools to manage risks related to mental health during the COVID-19 situation. The briefings also reinforced the available communication channels to report mental health risk.</p>	<p>Through this initiative, we carry out a personal care process to provide individual tools aimed at strengthening coping strategies and managing the vulnerabilities generated during the pandemic situation, and therefore, improving human performance.</p>	<p>We implemented a special training Program for operational personnel before the return to the new normal operation (Ramp Up), to increase awareness about new risks associated to mental health and in that way, improve their well-being.</p>	<p>Through this online meeting led by the Human Factors Area, we explained what mental health is and how to look after it with applicable and tangible tools.</p>	<p>We sent communication capsules with information about mental health with the purpose to eliminate stigmas and raise awareness of our employees of possible mental health risks.</p>



Data protection

We manage the risks related to handling information that could affect data confidentiality, integrity, and availability. Therefore, the information management processes and systems have controls for data protection, based on the level of criticality. This entire process is led by our Information Risks Directorate.

In 2020, and as part of our commitment, we defined, updated and compliance monitoring of the guidelines to protect information, as well as identify, mitigate, and monitor risks in its transmission, storage, and processing. Also, we generate actions focused on raising the protection of information awareness of our employees and suppliers who support the processes.



GRI 418-1

In 2020, there was not incident of safety breaches in the company. Additionally, we received 96 requests from information holders due to data protection regarding ARCO (Access, Rectification, Cancellation and Opposition) rights, which were related to treatment of personal information. These requests were managed according to our internal information security procedures.

Over the last three (3) years, there have been four (4) cases of information security incidents and/or claims, which have been identified as leaks, theft, or losses of customer data, and have been managed without a high impact for Avianca or its customers. There were zero (0) cases in 2020, one (1) in 2019 and three (3) in 2018. The most critical cases were reported to the external control bodies and no fines of any type have been imposed for them.



Safety, corporate value by excellence.

At Avianca we consider Safety as the corporate value by excellence, and we prioritize it by allocating the necessary resources to ensure that our operation is executed with the highest industry standards in this field, thus generating in our travelers the confidence of flying with safety.

The safety management in the organization focuses on eight (8) different areas, which work essentially on risk prevention, anticipation of events occurrence that could degrade our level of safety; this is a task that has been organized in accordance with current standards. Beyond that, it compiles the experience of a company with more than one hundred years and that is a reference for the industry worldwide.

We are pioneers in Latin America in:

- Crew Resource Management.
- Human Factors Program.
- Flight Data Monitoring Program.
- Confidentiality and non-punitive policy implemented through the Fair Culture program, in which we recognize human error as an opportunity for improvement and learning, among other actions.

These systems have been developed and have acquired a high level of maturity, which guarantees our travelers a lower and more controlled level of risk.

This is how we manage safety in such a way that we can measure and control through our own and state-of-the-art industry tools, enabling us to make decisions based on data, thus giving greater objectivity to the implementation of new measures that always lead to greater and better guarantees for our travelers.

Avianca, as part of the preventive and corrective actions implemented, and having in mind a systemic vision of the organization, establishes its safety performance indicators (SPT's), with the proper safety performance indicators (SPI's), and the appropriate alerts (triggers) to maintain effective control of safety, but above all, to maintain a cycle of continuous improvement, which always tends towards a lower and lower level of risk.



Own Indicator: Severe Engine Damages in Flight

The number of incidents of inflight shutdown for every 1,000 cycles; we measured this indicator, in order to control inflight engine damage.

Outcome:

In 2020, we achieved a rate of 0.04 per 1,000 cycles, since there were two (2) incidents, as compared to 0.011 per 1,000 cycles in 2019.

2020 | 0.04 per 1,000 cycles

This indicator applies for the Vice presidency of Engineering and Maintenance, excluding AeroUnión and Regional Express Americas, and it is managed through a technical reliability program where the IFSD rate and the UR rate are measured.



Own indicator: Damage to aircrafts

This indicates the damage caused to aircrafts during the ground service process.

2020 | 0.51 per 1,000 flights

Outcome: In 2020, we achieved a rate of 0.51 per 1,000 flights, achieving a 18% increase in the rate as compared to 2019, when we obtained a result of 0.43.

Action plans: In 2020 began the implementation of actions defined in 2019, which consist in the inclusion of the Safety Performance Indicator in the service provider contracts, on ground documentation procedures and training in areas of ground Operations.



Own indicator: Precursors to runway excursions

This indicator measures the number of “Long Landings” measured as landings beyond the last marking of the area for landing airplanes to make their first contact with the runway.

2020 | 5.04 per 1,000 flights

Outcome: 5.04 events per 1,000 flight. We achieved a 2 % increase in average incidents in 2020 from 2019.

Action plans: Avianca Holdings initiated the notifications to the Civil Aviation Authority regarding the condition of the runway demarcation; Operational Safety provides feedback to pilots making long landings and implemented changes in flight policies regarding actions to be taken when a long landing is foreseen.

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Indicators of our comprehensive safety management

Safety comes first, and for this reason we maintain indicators that enable us to analyze information on our flights and compare ourselves against the world’s best airlines. To this effect, the risks we have identified in operational safety have been linked to their respective accident precursors, which have a related indicator and action plans according to their results, as presented below:



Own indicator: Aviation accident rate

This indicator measures the number of accidents per year.
Outcome: No fatal aviation accidents have occurred in the last 12 years of operation of Avianca Holdings.



Own indicator: Precursors to loss of control in-flight (LOC-I)

This indicator measures the number of “Alpha Floor” (low speed protection in normal law) alarm activation in flight which can result in a LOC-I

2020 | 0,01 events per 1,000 flights

Outcome: 0,01 incidents per 1,000 flights. We had a 66% reduction in the number of events as compared to 2019 where we had 0.03 events per 1,000 flight cycles.

Action plans: Implementation of the Upset Prevention and Recovery Training



Own indicator: Aircraft security measures and protection against illegal interference

This indicator reports the coverage of aircraft on the ground in the operating stations.

Result

In 2020, Avianca Holdings’ aircraft had ground protection in the operating airports. 100% of covering, according to approved measures by local authorities.

For the management of this indicator, the company has security programs approved by each registration authority and of the operations status, where the approval of a security program is required.

How did we adapt in 2020?

Culture, communications, and Integrated Management System

Integrated Risk Management System

- We established methodologies to support security controls that guarantee optimal levels of security and compliance during the management of the cessation and reactivation of operations, through the execution of risk analysis, regulatory and industry validation of requirements against the COVID-19 and the coordination of key areas for implementation and continuous improvement of these.
- We facilitated tools for risk management and findings, as well as for reporting hazardous conditions and/or threats, using the Organizational Risk Report (IRO) through courses and materials shared with the employees.
- We monitored Avianca Holdings and Business Units' processes, projects, and applications, ensuring the implementation of activities within the required levels of security and compliance.
- Through the voluntary reporting management process, we carried out several studies to identify and mitigate the risks in the processes.
- We consolidated the Integrated Management System Manual, mapping the cross-cutting guidelines and policies of the system. Also, we communicated the risk management methodology as the inner workings of the Integrated Management System.

Culture and communications in risk management

During 2020, initiatives were developed to reinforce, maintain, and enact the safety, risk and culture during the cessation and reactivation of operational activities:

- The Safety, Risk and Compliance team, and in coordination with the culture management team, designed a safety perception survey for workers who rejoined the operation according to the Ramp Up work plan, which contained questions oriented to raise awareness of safety, self-care, biosecurity protocols and risk reporting, among others. This demonstrated a positive perception of safety on the restart of operations.
- The use of the organizational reporting system (log in and generation of reports) was reinforced, in the identification of situations to report, types of risk to which we are exposed and the reporting channels.
- Jointly with the Avianca Academy, new tools and resources were developed to train staff in understanding integrated system, reporting risk situations, and how to generate and manage results in the organization.
- Support was provided in the implementation of campaigns focused on a fair culture, in compliance with the policies and procedures established by the different systems, as well as in the adaptation and adoption of a new culture to keep flying.
- Proactive and reactive publications were generated throughout the company and based on the needs of each management system.
- We constantly monitored public order situations, giving safety recommendations and taking care of our staff.

Risk and crisis management

The crisis management triggered by the COVID-19 required the activation of the crisis and business continuity management scheme defined and established in 2019.

By the end of February, given the virus conditions, spread and expected impact on the global economy and on the aeronautical industry, the tactical level was activated by triggering the Incident Management Team - IMT, which gathers leaders from the whole organization. This team guaranteed a holistic view giving guidelines to manage the situation at every step, mitigating current impacts and anticipating their future behavior.



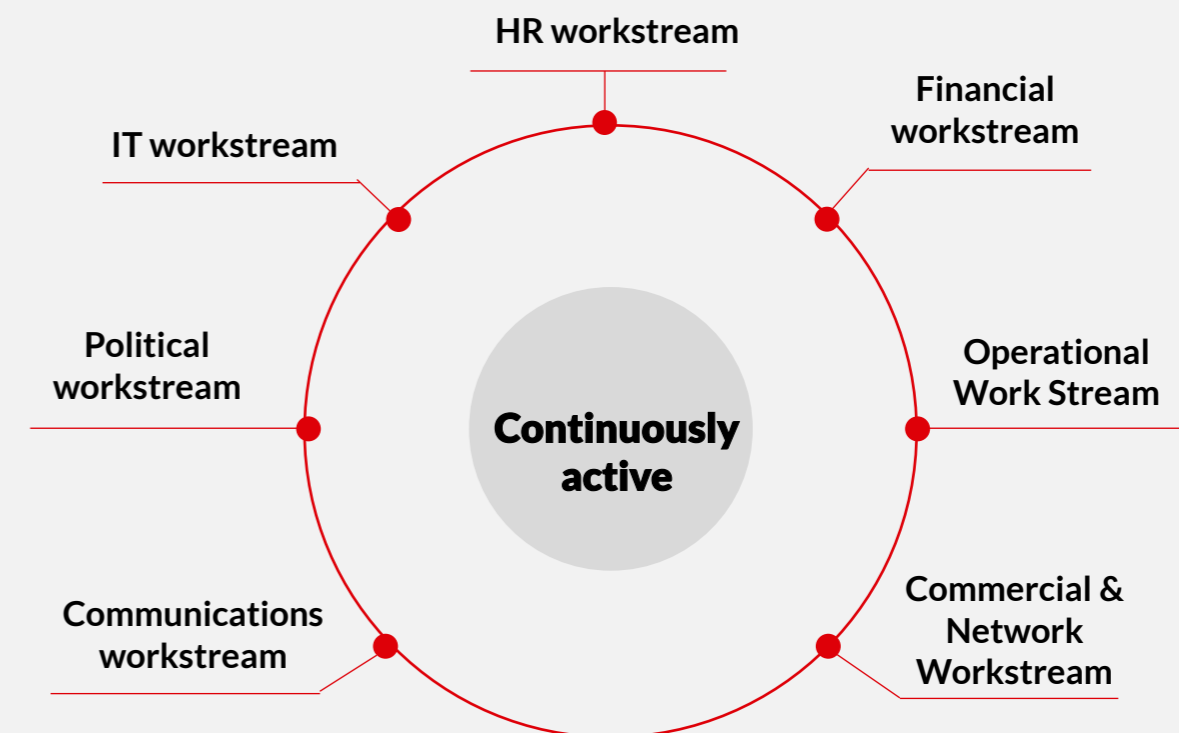
Several workstreams were opened, as shown in the graphic above, including:

- Financial
- Operational
- Commercial and Network

- Communications
- Political
- IT
- Human Resources

Incident Management Team met weekly, biweekly and daily according to the situation and needs. Likewise, Executive crisis Management Team - CMT, was triggered in March and started meeting daily.

This response scheme kept going until September, giving a global crisis management and subsequently giving way to the gradual recovery of the operation.



Safety, risk and compliance analytics program

In 2020 due to the contingency of COVID-19, efforts and resources had to be redirected and focused on the following:

- Creation of dashboards for support, monitoring, and decision-making during the COVID-19 contingency, mainly regarding the execution and results of audits during the outbreak, control of aircraft on ground, and monitoring of COVID-19 risk in the different stations.

Safety

A weird year in aviation, and how about in terms of Operational Safety?

In Latin America, during the beginning of 2020 flight operations were conducted normally which allowed more than 55.700 operations to be carried out safely during the first quarter of the year, with (0) zero accidents or serious incidents, which helped us to maintain high levels of operational safety.

Safety considerations during the reduction and stoppage of operation

With the onset of the COVID-19, new challenges in public health arose and worldwide mobilization restrictions came into effect, resulting in the termination of air passenger transport operations.

However, Avianca was not immune to this condition, so after 100 years of uninterrupted operations we were forced to suspend our flights, halting passenger operations during the quarantine periods imposed in the different states where we operate; this situation forced us to face new operational challenges, including but not limited to the following:

- Freight volumes increased by 15.5% in our freight planes. Flights for humanitarian cargo and medical material transport in both hold and passenger cabin.
- More than 7.000 humanitarian and cargo flights, including destinations as Narita - Japan, Shanghai -China, Roma - Italy and others, that the airline does not operated previously.
- Preservation processes for more than 100 aircraft.

Each of these operations was conducted within a risk-based safety framework for early hazard identification, risk assessment and proactive risk management.

Safety considerations during the reestablishment of operation

After the state quarantines were released and with the reopening of the airports, new operational challenges were faced which in terms of operational security were evaluated for this new scenario, such as the following ones:

- By December 2020, +190 routes to airports where we operate had been reopened, where issues such as the availability of ground-to-air communications, availability of navigation aids, availability of ground personnel and biosafety protocols, among others, were evaluated.
- The process of preservation of +70 aircraft started in December 2020, and they were recovered for safe operation.
- We ensured that the Holding's personnel who had been withdrawn from the operation due to the health emergency and who were being reintegrated (+8.000 Holding's employees), received the required refresher training for the development of the safe operations and were aware of the current reality of the operations.

This allowed us to close 2020 with (0) zero accidents and serious incidents in terms of operational safety and overcome the year's adversity in terms of Operational Safety in a successful way.

Compliance Monitoring Program Audit Program:

- We managed to adjust the methodology under which we implemented the audit processes, with the aim to carry them out across the holding company, minimizing the number of auditors required to fulfill the plan, while focusing on high-risk aspects of the operation.
- We optimized the audit plans by more than 43% by determining the requirements to assess to establish process compliance, ensuring more focus on those that represent a potential impact on safety and compliance in operations.
- We started the digitalization project in the audit program, with the aim to ensure data structuring and, therefore, conduct studies of analysis on the information generated by the audits.

Monitoring during outbreak

- The operational audit plan was transformed and adapted to the new reality. The high speed of new requirements and regulations induced into the operational system, enforced us to transform the methodology and adapt the process to operational needs. New methodologies of inspection and audit were incorporated for transport cargo in passenger aircrafts, Humanitarian flights and special flights.
- Operational and Maintenance procedures, facilities, use of Personal Protective Equipment-PPE and COVID-19 protocols were monitored through on-site and remote assessments. Interviews and permanent observation gave us a complete overview of the maintenance operations performance.
- During the outbreak, the security team coordinated the protection and monitoring of our fleet on ground, to optimize resources according to identified security risks.

Contingency Audit Monitoring

We developed dashboards in the Power BI tool to monitor the results of audits focused on the control of COVID-19 as well as the development of special and humanitarian operations, preservation of aircraft on ground, and risk of COVID-19 for the different operating stations of the company.

Fleet Grounded Control

We monitored all the activities related with preservation of aircrafts in long term storage as well as the execution of the maintenance program for aircrafts ready to fly, through remote and on-site methodologies. These activities provided a continuous visibility of the fleet status all over the Holding.

Ramp Up

The compliance monitoring program developed a schematic methodology for audit and inspect all the mitigation actions required and identified during the risk assessment developed through the command center prior to the beginning of operations. The assessment considers more than 75 standards in different areas including flight & cabin operations, airports & ramp operations, cargo operations, security, dispatch, and the organization in general.

Aircraft maintenance program execution and maintenance facilities were audited to prepare the ramp up operation. Maintenance providers were remotely assessed. Communication with authorities regarding audit program restart, was done as required. The Security department checked the compliance of regulations and standards required to keep a high safe operation.

Icontec Certification

As part of the integrated risk management system, the compliance monitoring program was included as an assessment and monitoring tool within the framework of bio safety management system.

One of the main achievements related with the certification was the strong monitoring system incorporated by Avianca Holdings to ensure the compliance of regulatory requirements related with COVID-19 outbreak.

IOSA Certification

On behalf of Aviateca and TACA International, the compliance monitoring program prepared, coordinated, executed, followed and closed satisfactorily the IOSA recertification process for both operators. This was a historic achievement for Avianca Holdings considering the limited resources and time for preparation.

**Security
Compliance**

Compliance with Civil Aviation Security regulations

The regulation on aviation security issued by the aeronautical authorities on the registration status of the airlines are as follows:

Regulation	Country
RAC - 160 (Colombian Aeronautical Regulation)	Colombia
MRAC 17 (Costa Rican Aeronautical Regulation)	Costa Rica
PNSAC (Guatemalan Civil Aviation Regulation)	Guatemala
RAC 17 (Salvadoran Civil Aviation Regulation)	El Salvador
PNSAC (National Civil Aviation Security Program)	Honduras
RDAC 1544/PNSAC (Ecuadorian Civil Aviation Regulation)	Ecuador

In flights to and from the U.S., airlines must comply with the regulations issued by the Transportation Security Administration- TSA:

Regulation	Country
Model Security Program All Cargo International Security Program EA1546 Series	United States

Own indicator:

Audits conducted by the regulatory authorities of civil aviation security

During 2020, the Holding company's airlines received a total of 30 audits on their processes by the authorities.



The airlines that Avianca Holdings comply with the civil aviation security regulations of the aviation authorities in the states where they operate. This is demonstrated through the surveillance programs that the authorities carry out on the airlines' operations.

We made progress in the challenges we took on 2019

Risk, crisis, and business continuity management

- We reset the Corporate Risk Map based on the new situation that emerged from the COVID-19 crisis and its impact on business.
- We supported the definition and improvement of the value chain and its management by corporate process through the alignment of processes from the risk perspective.
- Risk management was maintained during critical projects undertaken by the company, which we highlight: SOC Simplification, Fleet densification, Passenger Recovery, Self-re-accommodation, among others.

- We started the MEGA project, working on the first phase of definition of requirements in 2019 and 2020 first quarter. The project had to be suspended due to a corporate decision, and it will be resumed in the second half of 2021.
- Risk Management for the ramp up process: Once the operation was stopped, we started an organized risk-based planning for ramp up. It means that the project plan to reactivate the operations after COVID-19 for all the Holding airlines, started from a common point which was a risk analysis including not only operational fronts, as flight, maintenance airports, operational control, crews, but also cross cutting and support ones, as financial, legal, commercial, network, human resources, customer service, communications and IT.
 - Based on the risk assessment, a detailed ramp up plan was built with high safety standards and complying with regulations at all the countries where Avianca operates, specially focus on all the new regulation that emerged from COVID-19.
- We built business continuity plans and strategies for the main service processes in airports, for all the bases covered by the Holding.
- Two (2) contingency drills for SOC were performed at Bogota and one more at El Salvador, with successful results.
- Fact 24, a tool useful for crisis communication and notification was successfully implemented for all airlines at a Holding level.
- Emergency Response Plan for all AOC⁶ was updated, presented and approved by civil authorities at each country.
- Emergency response plan for each station where Avianca operates were updated.
- Emergency Response Drills for each AOC were performed during the year.
- Through a specialized advisory we improved the Emergency Response Plan.

Safety, risk and compliance analytics program

In 2020 due to the contingency of COVID-19, the corporate decisions, efforts and resources had to be redirected and focused on the following:

- Support the structuring and definition of workflows of the Integrated Safety, Risks and Compliance System for the implementation of the ORM module of the HOPEX platform within the framework of the LEGO project. Suspended by corporate decision⁷.
- Incorporation of the AeroUnión processes of Safety, Compliance Monitoring Program and Human Factors in the Risk Management platform (AQD), including data extraction, transform and load of this information in the corporate indicator of Safety, Risks and Compliance and, in all the Power BI dashboards of the Integrated Management System (Performance regarding the Organization's compliance and risk management, and Performance of the integrated management and compliance system).
- Restructuring of the corporate indicator of Safety, Risks, and Compliance seeking to optimize the process of extraction, transformation, and loading of information, as well as setting goals according to the operational changes experienced.

Compliance

- We consolidated the internal assessment and operational compliance programs under two (2) management departments, which ensure the cross-cutting management of the exercises defined through the operations and airworthiness areas.
- We achieved the initial structuring of the Internal Evaluation Program and Operational Compliance Program through the assignment of attributes to the checklist standards used to implement operational audits.
- We implemented the methodology for the generation of an annual schedule of risk-based audits that enables the optimization of the resource and approach on existing problems in the organization.

Security

- We achieved the implementation of procedures focused on baggage connectivity (tail to tail in Bogotá) our main HUB in Avianca Holdings, giving a better travel experience to our clients (OTP/MB).

6. Air Operator Certificate

7. LEGO: An organizational project that seeks to implement the HOPEX platform to integrate the end-to-end management of the holding's business architecture, assuring the unity and alignment of processes, architecture, risk management, and corporate auditing, all this aligned with the organizational strategy.

HOPEX: Management platform that, through a common repository, integrates the operating model of the company using a modeling environment that includes workflows, alerts, reports, dashboards, and evaluations.

ORM: It is HOPEX's operational risk management module; This will integrate the management of corporate and process risks, the management of safety incidents and events, process evaluations, organizational control, and compliance programs

Our future 2021

Risk and crisis management

- Expand and strengthen the coverage of our risk, crisis, and business continuity management, extending our management to all of our mission's programs in their different business lines.
- Support the company's restructuring process to emerge from Chapter 11 guaranteeing a risk-based approach.

Comprehensive safety

Plans in connection with operational safety at Avianca Holdings for the year 2021 include, but are not limited to:

- Continue managing security risks while reopening the operations.
- Reimplement the LOSA (Line Operations Safety Audit) program.
- Continue the implementation of the Fatigue Risk Management System (FRMS) based on applicable regulations for the airlines of the Holding.
- Consolidate the security management systems in all the business units.

Compliance

- Consolidate the integration of the safety systems with the compliance systems in order to generate holistic information to enable improvement of decisions about the allocation of resources to mitigate safety and compliance problems.
- Strengthen the methodology for systematic validation of the effectiveness of the safety and compliance controls.
- Consolidate the digitalization of the audit program, with the aim of optimizing the team's performance.
- Improve the promotion process of the compliance program, with the aim to raise the situational awareness of staff about the company's key conditions of compliance.
- Increase the scope of the Compliance Program to cover the AeroUnión airline.

Security

- Ensure the implementation of measures that allow us to simplify security procedures through new technologies and focus on new efficiencies.



08 | Driving digital transformation

Digital Avianca

2020 was a year of great challenges to protect and care for our passengers. The new scenario and the change in world dynamics brought reinvention for the company. Our Digital and Technology strategy seeks to improve our services through digital transformation on three (3) fronts: Customers, Operations and Enterprise.

The months of closure and even the gradual opening by country, led us to review in detail the biosecurity conditions to continue guaranteeing safe flights to our customers. The advances and technological developments implemented in the company were focused on having a customer service with digital solutions for their needs. With this digital service strategy, we increased our attention in channels other than the telephone line,

such as chat, mail, WhatsApp, among others, achieving 40% participation in the service capacity.

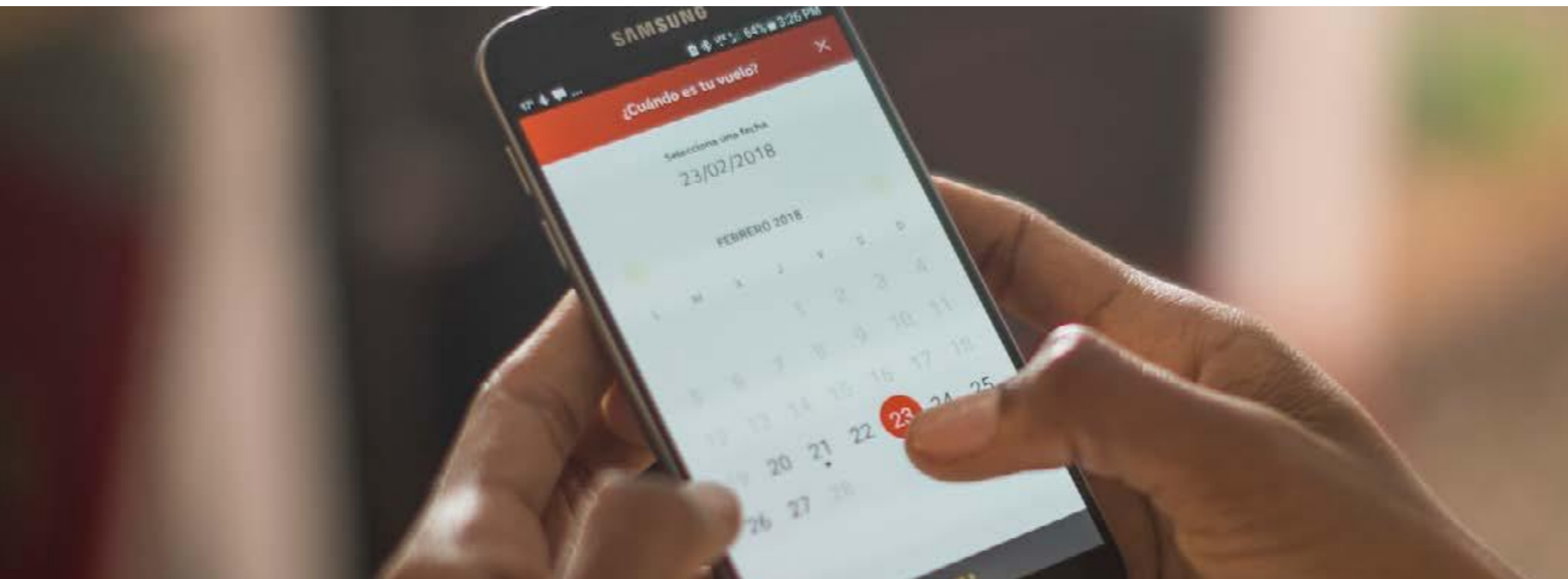
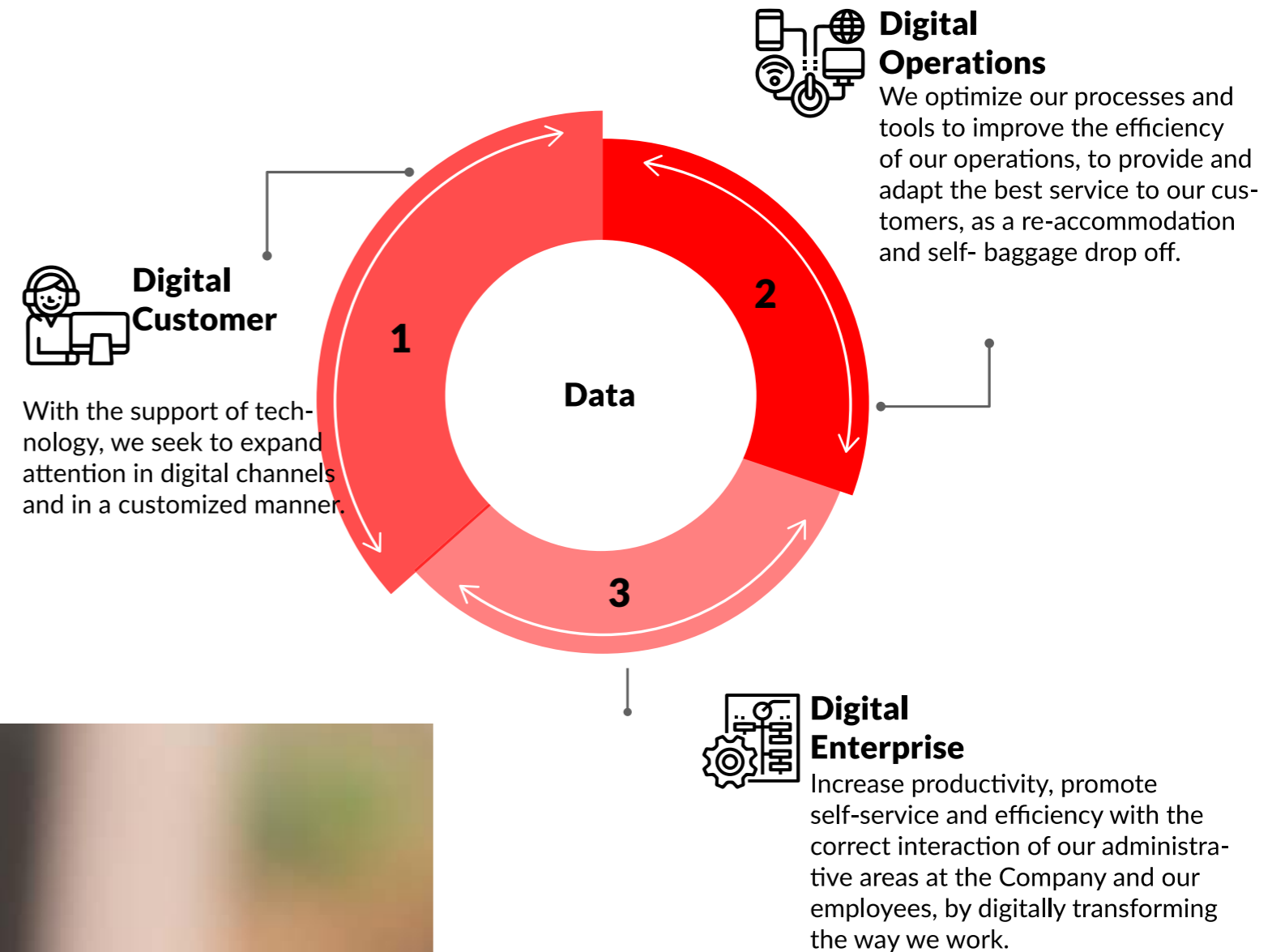
Our contact center had more than 1,100,000 contacts per month, compared to previous years where 830,000 contacts were received per month and our service with VIANCA (the new ChatBot) allowed us to resolve 60% of the requests of our passengers. Attention through WhatsApp has been very well received by our customers, representing the second channel of interaction after the telephone line.

The projects and initiatives are focused on digital service where we seek that customers find digital solutions to their service needs without depending on personalized attention and improve the flying experience.

Digital Transformation Strategy

In 2020, we moved forward to keep and adapt our Digital Transformation Strategy on the three (3) work fronts:

Diagram xx: Digital transformation work fronts





Customers. Improving the digital experience.

In 2020, our customers continued being at the center of everything we do. For this reason, we transformed, improved, and adapted our processes through innovation and technology in order to provide a better service before, during and after the trip. Therefore, with the upgrades in our digital channels, Avianca.com achieved a sales mix from 24% in 2019 to 31% in 2020, making it the only major sales channel to post growth compared to 2019.

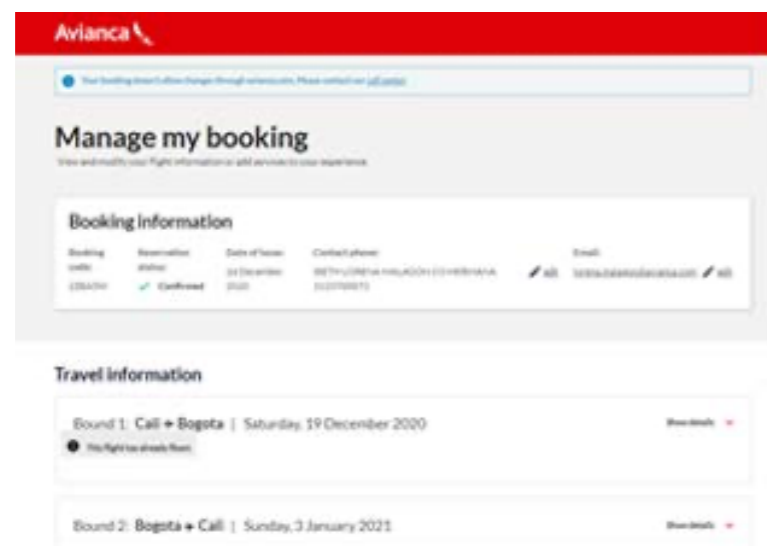
Additionally, we increased the sales of ancillaries by over USD 1.0 million compared to 2019 despite COVID-19 situation. In terms of satisfaction, our customers' experience with the digital channels was much superior to traditional and face-to-face channels.

Initiatives and project highlights

The initiatives that supported the achievement of the above indicators were:

- **Voluntary Flight Changes / Amadeus Ticket Changer- ATC in all Points of Sale- POS in Colombia**

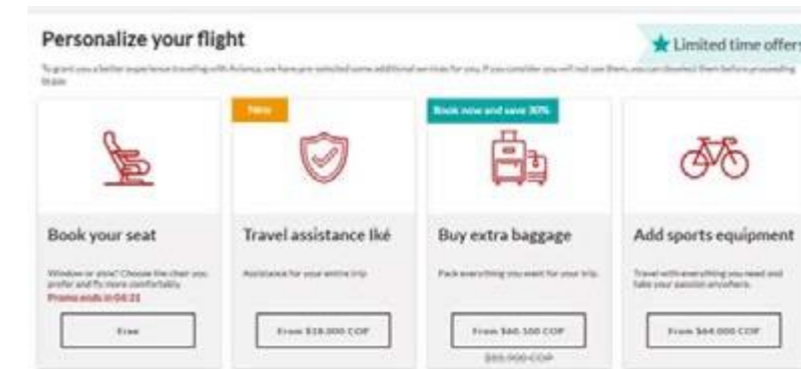
In avianca.com, a functionality that enables our customers to make voluntary changes in their itineraries in the web page was implemented, facilitating self-management while traveling.



- **Sale of ancillaries in Prime booking and reservation management**

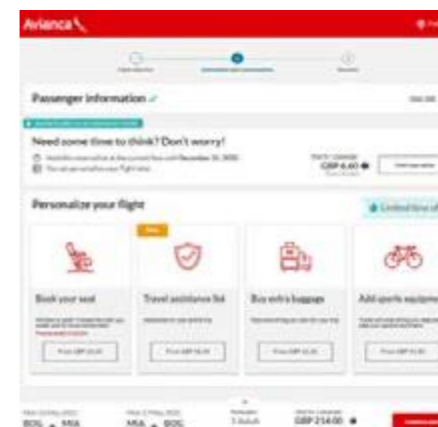
Ancillary sales were included in the ticket purchasing and reservation management processes (seat, baggage, and VIP lounges).

Also, we implemented new ancillaries that allowed us to improve the customer experience by attending to their needs and providing more services.



Other ancillaries:

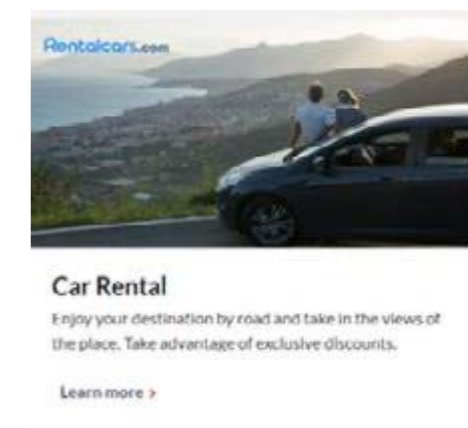
- **Time to Think**



- **Ads in Avianca.com**



- **Car Rentals**



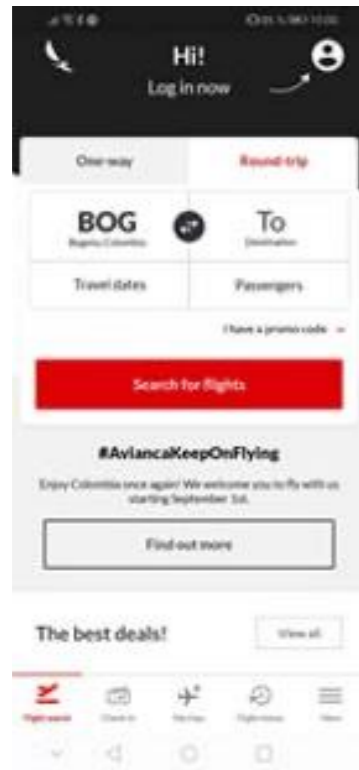
• **New Booking Flow in POS COL and EUR:**

A brand new booking flow has been developed, reducing the booking steps and pages the client has to see, increasing client experience and conversion of tickets and ancillaries' sales.

• **Booking Flow: Flight Availability**



• **Booking Flow: Ancillary Selection**



• **Facelift Mobile App:**

We implemented a new application with potential improvements to the user experience: New user experience, contact through WhatsApp, push notifications, geolocated offers, my trips section, COVID-19 Voucher info, Avianca BioCare content and more.

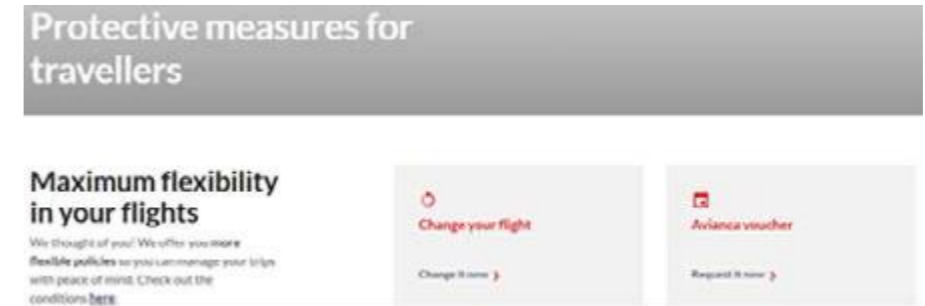
• **Branded Fares – Avianca Holdings' flights**

Avianca.com was incorporated in all the countries where the new fare families operates, with new visualization and customization options to adapt to our customers' needs.



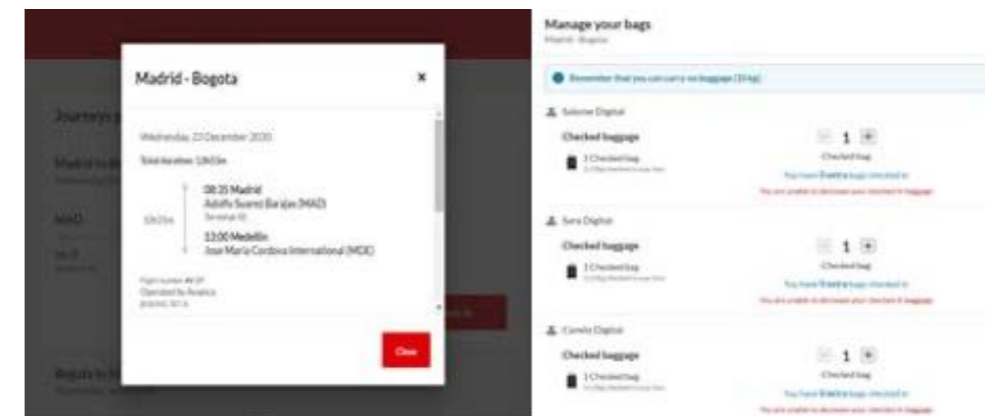
• **Vouchers Management**

We have implemented speed and self-service in the process of registration and redemption of the vouchers generated by the COVID-19, increasing customer satisfaction and reducing time and resources for the attention of users.



• **New Online Check-in**

A new quicker online check-in keeps working with a responsive design and the possibility of downloading the boarding pass to the customer's cell phone. The latter functionality is for IOS users.





Digital operations: more efficient, more profitable

As a company, we set the objective of improving operational performance with the reactivation of operation, which has translated into higher levels of schedule completion indicator, as measured by On Time Performance- OTP. Our digital and technology area implements technological tools that support operations and improve experience of self-service for passengers in digital channels.



Digital Enterprise: agile and productive

We digitally transformed the way we work. We adapted the work from home, which offers our employees greater autonomy and make their activities at the Company more agile and productive.

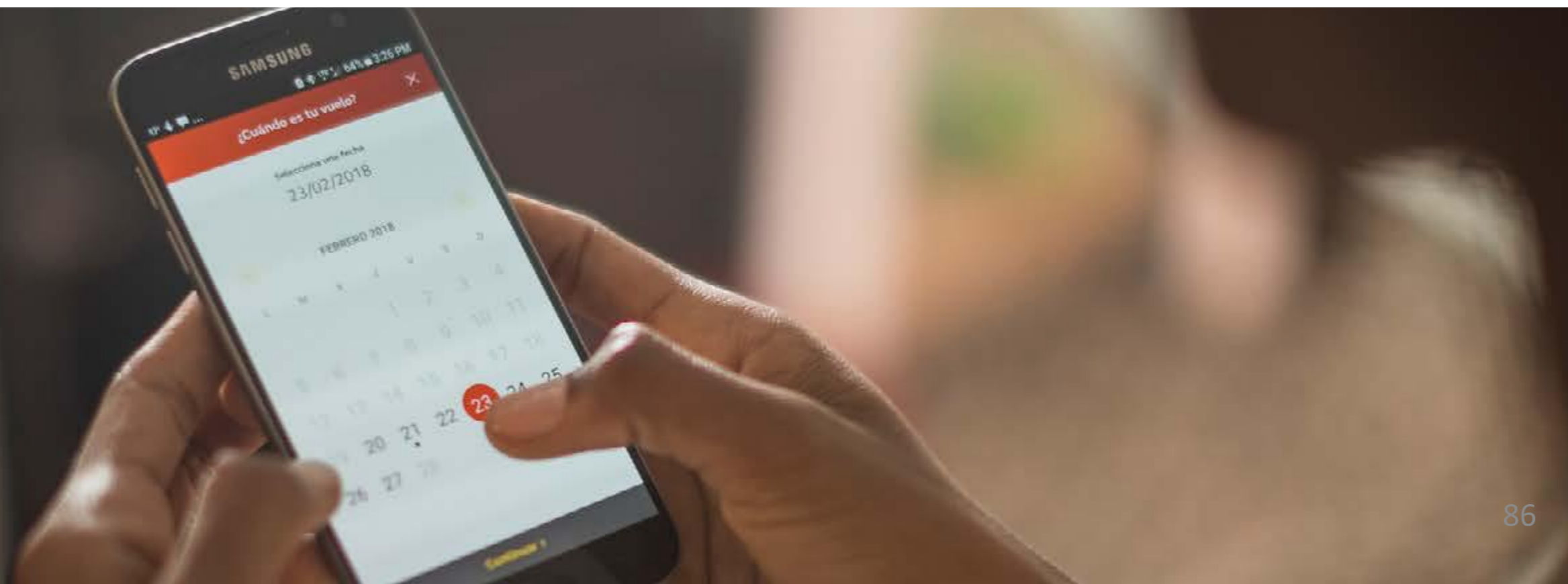
In 2020, we focused on:

- **Productivity:**

We went live with unified SAP ERP for the Holding, 148 financial and logistics processes, 11 airlines, 86 branches, 120 services companies, 32 countries, 36+ main systems interfaces, revenue accounting, maintenance, operational systems and personnel.

- **Efficiency**

We improved collaborative workflows based on the Microsoft Office 365 suite of products such as Teams, Sharepoint and Power BI, which help enhance the productivity of teams that work in integrated processes at the Company.



How did we adapt in 2020?

We implemented new tools to automate the re-accommodation of passengers in the event of a flight disruption, so we will give a better option for the passenger and in a shorter time.

We improved the LifeMiles loyalty program, including a Red Plus as a new elite level for frequent flyers and a new and simple mileage accrual process.

We strengthen direct distribution of Avianca flights through Travel Agencies and corporate accounts, with friendly solutions for servicing and ticketing.

Our future 2021

Increase self-management functionalities for our customers to allow the solution through Vianca, WhatsApp and other digital channels.

Our Digital future will continue to focus on the customer providing through our channels, especially mobile applications, personalization and anticipation that improves the flying experience.

Finish stabilization of SAP Enterprise Requirements Planning - ERP to continue improving our processes, including profit management, information exploitation and secure contingencies for integrations.

Strengthen and socialize the agile model in order to deliver value in an expedite and timely manner in accordance with business requirements.

Strengthen the business intelligence model through improvements in the analytical models and decision-making based on data at all company levels and processes.

Continue cloud for migration of applications as part of the steps to enable the 2021 strategy, 25% reduction in on-premises hardware.



09 | Ensuring company's sustainability through value creation

Economic performance

We fly higher with a contribution that transcends the economic dimension of our operations.

At Avianca, we continuously strengthen and renew our management team in order to profitably develop strategic markets by differentiating our businesses, operations and services to meet and exceed the needs and expectations of our customers. Our goal is to ensure value creation for our stakeholders, as well as the company's sustainability. Our corporate strategy is therefore, focused on profitability and operational efficiency which addresses the challenging macroeconomic and industry environment which is severely affected by the unprecedented COVID-19 pandemics in 2020.

Through our management, we ensure that the company's financial and economic processes are oriented towards efficient resource management through our internal policies¹, which cover the most relevant aspects for the company's economic development. We also use control (security) systems jointly with the IT department to ensure correct performance in the financial area, which include accounting, consolidation, financial planning, payment management, debt management and fleet management systems.

Our good financial management must be reflected on:

- The quality of the financial results disclosed to the market on a quarterly basis
- Fulfillment of the responsibilities to repay obligations
- Obtaining resources from our operations
- Return on investment
- Cost-optimization
- An excellent service to our internal customers

8. Our policies to ensure economic performance cover the following matters: Unification of cash, investments, financial risk hedging, management of discounts for prompt payment, clearing bank transactions, use of petty cash and imprest funds, refund management procedure, business travel expense control, provisions management and Clearing House miscellaneous. Additionally, we have a Manual of authorization levels and delegation of administrative responsibilities.





Comprehensive risk approach in financial performance

We manage our risks on a timely manner through a comprehensive framework for all our processes and projects. Risks are identified by the Risks and Security department and are subsequently reviewed and validated with the applicable area. This analysis is carried out periodically through a joint review with the financial directors assessing the probability and likelihood of specific risks as well as the respective potential impacts.

Additionally, as part of our three (3) lines of defense model for risk management, we have an annual internal and external audit process to comply with all the company's audit policies, and thus certify all our SOX processes.

In 2020, efforts were focused on managing the risk associated with the loss of income due to the global COVID-19 which will continue to affect the company's ability to generate operating cash in the coming years. The finance department played a key role in establishing different work streams to guarantee an agile and effective response to the COVID-19 crisis.



Financial Support during Chapter 11

Avianca required new financial support to successfully reorganize during the COVID-19 crisis. The COVID-19 pandemic has had a profound impact on the demand for air travel, resulting in an unprecedented deterioration in the company's financial results and liquidity. Following the onset of the pandemic in early March, all of Avianca's home markets imposed travel restrictions and flight bans, leading to a complete suspension of the Company's scheduled passenger flight activity. As a result, the Company filed for bankruptcy protection under Chapter 11 of the U.S. bankruptcy code, allowing for an orderly court-supervised process to reorganize the business while adjudicating claims of creditors, lessors, OEMs and vendors.

On October 5th, the US Bankruptcy Court approved the DIP financing structure of Avianca Holdings SA for a total of approximately US \$2 billion. More than 100 investors participated in the Secured Senior Tranche A, for a total of approximately US \$1,270 million (US \$880 million in fresh resources and approximately US \$389 million in refinancing of pre-existing debt and financing of certain acquisitions). Of the total fresh resources from Tranche A, US \$240 million were structured as a bridge financing, in order to allow for the eventual participation of one or more governments in the DIP. Additionally, a group of pre-existing creditors, together with new investors, provided US \$723 in Secured Subordinated Tranche B (including US \$386 million of refinancing of pre-existing loans). The DIP is guaranteed by a set of Avianca's strategic assets (including Avianca's interests in LifeMiles and in its cargo subsidiary, its relevant brands and some of its cash accounts). On October 13th, the first DIP disbursement was made. The DIP Financing is expected to allow Avianca to weather the COVID-19 crisis with the necessary liquidity and flexibility to execute a restructuring plan that will position the Company to emerge as a successful, stable, viable and healthy carrier for the long term.



Economic Roadmap Recovery

Avianca has taken swift actions to position the Company for successful recovery from the COVID-19 pandemic:



From the outset of the crisis Avianca has acted quickly to preserve its liquidity levels



The Company suspended debt and lease payments in late March and halted passenger airline operations



Prepared fleet for storage and deferred significant maintenance events until flying recommenced.



Significantly reduced payroll expenses with employee's support.



Avianca's cargo business, which operates 11 freighters, continued to contribute a positive cashflow thanks to continue and profitable operation

With these measures in place, Avianca's cash position has remained relatively constant since filing. The "Variabilization" of Costs also Provided Flexibility anticipating a delayed recovery:

- The Company negotiated with its aircraft financiers (and reached interim agreement with most) to convert all of its aircraft financings into variable power by the hours leases in which the Company's aircraft lease payments would be a direct function of the amount of flying that was conducted in a given month
- The Company worked to implement a variable cost structure with certain labor groups, to ensure that the Company has the flexibility it needs to adapt its cost structure to an uncertain restart of operations

At the same time, significant liquidity runway provides time for recovery to emerge, and the company has put all its efforts into the construction of a Revised Long-Term Business Plan

- Shortly after the pandemic began and its passenger flights ceased, the Company launched a detailed bottoms-up planning exercise to estimate the potential long-term impact of the pandemic and to design network and fleet options to optimize the Company's results.



Reorganization Plan

The objective of the company's reorganization plan is to emerge as a more agile and strengthen airline ensuring a long-term sustainable business model. The main milestones of the reorganization process under Chapter 11 include:

- Review of fleet strategy and plans to negotiate long-term lease agreements with aircraft lenders and lessors assuring a right sized fleet and reduction of complexity
- Execution of the ramp-up plan and calibration of the market demand in a post-COVID environment
- Continue to implement operational and commercial improvements
- Execution of restructuring initiatives, including the renegotiation of labor and maintenance contracts
- Reviewing vendor contracts towards renegotiation or rejection of key contracts to ensure a competitive cost structure

The Chapter 11 process will accelerate progress towards the objectives of the Prior Restructuring Plan that will lead to an expansion in profit margins, improved liquidity, and reduced leverage.

How we transformed in 2020?

- We successfully implemented SAP as our new ERP system
- The company had an agile response and took quick actions to position the Company for successful recovery from the pandemic:
 - Avianca acted quickly to preserve cash and took measures to align its cost structure to evolving market conditions
 - Avianca's fixed fleet cost has largely been converted into a variable Power-by-the-Hour (PBH) structure
 - Avianca instituted two programs⁹ designed to significantly reduce payroll costs and improve working capital

We made progress in the challenges we took on 2019

As part of the "Avianca 2021" plan, we started our program to reprofile the company's debts and lease obligations to continue with the process of reducing leverage and improving profitability. Therefore, we managed to reach mutually satisfactory agreements with strategic partners and creditors, enabling deferral of payments of approximately USD 800 million and a provision of USD 375 million of additional cash in 2019.

We achieved the successful closing of the bond exchange maturing in May 2020, bringing 88.1% or USD 484.4 million to maturity in 2023 and with a coupon of 9%, all of which fulfilled the agreed conditions for the disbursement of convertible loans of USD 250 million by United Airlines and Kingsland Holdings. In addition, we obtained additional financing of US 125 million, giving us financial liquidity that allowed us to continue executing the "Avianca 2021" plan.

The debt reprofiling program achieved in 2019 had also included significant Milestones Prior Restructuring Plan in 2020:

- Completion of agreements with creditors
- Renegotiation with our operation's strategic suppliers
- Progress in our divestment from non-strategic businesses
- Establishment of our Savings Capture Plan
- Aircraft sales: 10 A318s, 4 A320s, 10 E190s → provided net cash of US\$ 100M
- Reduction of orders from 108 to 88 for A320neo aircraft to be delivered from 2025
- 25 unprofitable routes cancelled from network
- 6.9% capacity reduction in 4Q 2019
- Branded fares initiative increased pricing customization to improve revenue management
- 4Q-2019 on-time-performance improved 504 basis points year-over-year

Our future 2021

- Execute all milestones related to our reorganization plan, which will allow us to continue leading the company to achieve sustainable profitability. Main milestones will include the negotiation of final agreements with suppliers, aircraft lenders and lessors with a focus improving our cost structure, route profitability and operating cash generation.
- Complete the standardization of financial processes, policies and structures that add value to transactional and financial operations.
- Delivery of a complete reorganization plan for approval under the US bankruptcy law with a successful emergence from Chapter 11.
- Avianca expects to fully address the current industry landscape and the effects of COVID-19, transforming the Company into a highly competitive, right-sized, solidly profitable airline.

9. Due to the uncertainty regarding short-term and mid-term revenue generation and when operations will fully resume pre Covid-19 capacity, coupled with the projected reduction in the Company's operations once government-imposed travel restrictions in the region are lifted, Avianca announced to its employees two programs to reduce payroll costs and improve working capital. Since the inception of the pandemic, the Company has tried to provide reduced compensation to all its employees, regardless of whether they have been active, it has protected people with special medical needs and, during the months during which its operations have been suspended, it has adopted a variety of alternatives, such as the reduction of salaries by mutual agreement, reduction of working hours and unpaid voluntary leaves of absence. On the other hand, the company provide new options regarding continuance of their employment contracts, which currently include unpaid leaves of absence (for a 6- or 12-month period) and a voluntary early retirement plan for employees subject to fixed-term contracts.



Our economic performance



GRI 201-1; GRI 102-7

The information listed below presents the economic performance of Avianca Holdings S.A. and includes information on Aerovías del Continente Americano S.A. (Avianca) and its subsidiaries. It also includes Grupo TACA Holdings Limited and its subsidiaries.

Direct economic value generated (DEVG)

2020 value in USD thousands \$2'041.640	}	Net sales revenue	2020 value in USD thousands \$1,711,585
		Income from financial investments	\$4,406
		Income from the sale of assets	\$325,649

2020 value in USD thousands	2018	2019	2020
	\$5,035,889	\$4,827,848	\$2,041,640

Economic value retained.

This value is the difference between the direct economic value generated and the economic value distributed.

2020 value in USD thousands	2018	2019	2020
	\$ 45,415	\$ (659,504)	\$ (549,092)

Economic value distributed.

2020 value in USD thousands \$2'590.732	}	Operating expenses	2020 value in USD thousands \$1,944,132
		Employee wages and benefits	\$388,962
		Payments to providers of capital	\$153,707
		Payments to government	\$103,932
		Community investments	\$ 0

2020 value in USD thousands	2018	2019	2020
	\$ 4,990,474	\$5,487,352	\$2,590,732

2020 value in USD thousands
\$(549,092)



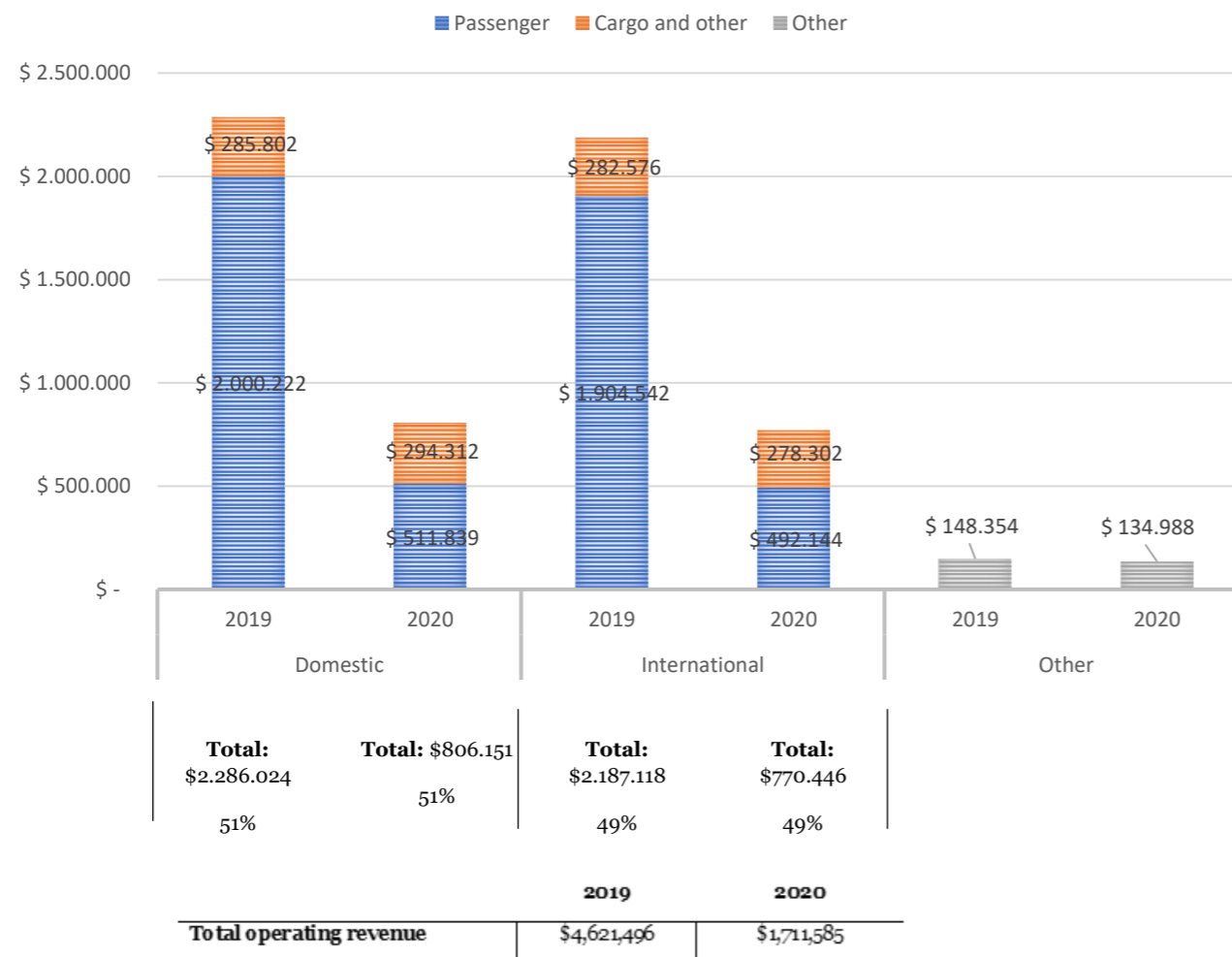
Direct economic value generated

Operating revenue

Operating revenue of Avianca Holdings in 2019 totaled USD 1,711.6 million, which represents a 63% decrease from the revenue generated in 2019. At year-end 2020, a decrease was reported in the categories of passenger transport, cargo transport and international mail. The first decreased by 74% from 2019, equivalent to USD 2.901 million.



Table 01: Operating revenue by type of service and geographic coverage



The Other Operating Revenue item includes revenues from the frequent flyer program, ground operations, leases, maintenance, interline agreements and others.



Revenue from financial investments

The revenue of Avianca Holdings S.A. on account of interest in 2020 decreased by 51% from USD 9 million in 2019 to USD 4,4 million in 2020.

In derivative instruments, an expense amounting to USD 3 million was reported in 2020, equivalent to a 42% increase from the previous period, when an expense of USD 2,2 million was reported.



Economic value distributed

The economic value distributed by Avianca Holdings S.A. and all its subsidiaries in 2020 includes the following items:



Operating costs

In 2020, operating costs decreased by USD 2.190 million, equivalent to an 48% decrease from the previous period. The main items included under this heading include: the components of fuel, passenger services, ground operations, facilities and maintenance services, Selling expenses and employee wages and benefits



Fuel

Total Fuel expense decreased -\$868,4M (72.0%) versus 2019, mainly as a result of decrease in fuel price (29,8%), going from 1.88 -\$/gal in 2019 to 1.32 -\$/gal this year, which represented -\$213M. Additionally, gallons decrease (63.5%) which represented -\$653.3M. On the other hand, fuel hedge settlements decreased the overall cost in -\$2.1M mainly due to a hedge contracts of fuel no executed in 4Q 2020.



Employee wages and benefits

At year-end 2020 this item, which includes direct and sub-contracted employees, totaled USD 388.9 million, including payments made for wages, healthcare insurance and other employee benefits.



Payments to shareholders

The Group did not decree or pay dividends during ended December 31, 2020.



Depreciation and amortization (reinvestment)

Total depreciation, amortization and expenses in 2020 amounted to USD 534 million.



Payments to providers of capital

In 2020, the total payments made by the company to providers of funds amounted to USD 153.7 million.



Payments to Government

All local and municipal taxes, sales taxes and current income tax are included in the payments made to the government, which amounted to USD 103.9 million in 2020.

Economic value retained



At year-end 2020, the economic value retained totaled USD (549.1 million). This item does not include deferred taxes or foreign exchange.

Our supply chain

At Avianca we establish long-term relationships with our suppliers as they are strategic allies for our operations. To provide an excellent service to our passengers we ensure an appropriate supply chain with our suppliers, so we have committed to implement efficient, ethical, sustainable, and profitable supply processes. Our goal is to assure operation and service standards while we develop and grow with our suppliers.

The supply chain is critical and very important within our operation, that is why Avianca established in 2017 the Administrative and Procurement Vice Presidency; this VP centralizes all technical and non-technical procurement and is responsible for the acquisitions of approximately 90% of all goods and services of Avianca Holdings through a centralized strategy based on a model of purchase by categories. To provide a complete support for the supply chain we also consolidate the Inventories Planning and Foreign Trade departments.

The category model and the strategic long-term negotiations allow us to generate value for the company through the improvement of global negotiations, the consolidation of purchases and the centralization of the associated costs. The improvements are not just about cost and savings but also in efficiency, services levels, internal areas satisfaction and operation compliance.





How do we measure our management?

Taking into account the critical impact of technical procurement on the operation, we have developed different KPIs to guarantee and monitor the performance of our supply chain process. All those KPIs were constructed with the Engineering and Maintenance VP and analyzed on the Supply Chain Committee every month between the two (2) groups. We had already achieved a good alignment of results with the Engineering and Maintenance VPs, and we keep identifying opportunities for improvement in the procurement and planning processes. We highlight that

We measure the impact of the maintenance process into the supply chain's performance, considering it as a good example of team and interdisciplinary work.

For the rest of the procurement areas, we have KPIs that measure time compliance, contracts performance, savings, and purchase consolidation.

The most important KPI is the fulfillment of the supply plan as every year we define our strategy and resources according to the different requirements within Avianca's supply plan. This supply plan is the guideline to accomplish throughout the year.



Management tools

Our General Procurement Manual establish the guidelines for the supplier, and all internal areas at Avianca responsible for the supply chain. This Manual includes:

- Requirements regarding financial, legal and money laundering and terrorist financing matters.
- Standards regarding the Code of Ethics, Anti-Corruption Policy and SIPLAFT Policy (Comprehensive System for the Prevention and Control of the Risk of Money Laundering and Terrorist Financing).
- Applicable guidelines in occupational health and safety, according to the scope of the negotiations.



Objectives

Given the challenging health and economic environment caused by the COVID-19 pandemic, in 2020 our management was focused on achieving the following objectives:

Manage and mitigate the adverse effects of the COVID-19 pandemic in the operating environment of the company, in particular the disruptions caused to the supply chain.

Support the restructuring process of the company by working with our key suppliers, partners, and stakeholders to transform the procurement agreements into more flexible, cost-effective set-ups that preserve cash flow while being sensitive to the supplier's needs.

Strengthen our supply chain processes with the incorporation of innovative technological tools to look for greater efficiencies and cost control:

- SAP Go-Live, as our new ERP has been fundamental to carry through this improvement, as well as their Ariba connection: our main system of purchasing, contracts, and supplier lifecycle performance.
- Implement technology tools as Flight Order and Fuel to manage and measure our expenditure faster and detailly to make decisions with high precision.
- Train our users on SAP to improve their performance in the supply chain process and engage in effective relations with their suppliers.



Our supply chain



GRI 102-9; Own indicator: Distribution of supplier expenses



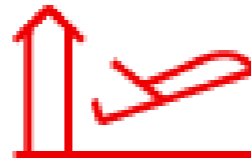
Inventory management and Supply chain planning

This is a strategic process where we determine inventories quantity to have less working capital involved and on time deliveries for our maintenance team. This allows us to have our aircrafts operating.



Supply strategy to optimize costs and search for innovative ideas

The relationship with our suppliers is based on ethical and transparent behaviors that allow us to engage the best providers and achieve that they commit with our goals and with strong partnerships to accomplish the targets. Through our sourcing process we get the best economical / technical providers to supply the service or the product.



Logistics and foreign trade management

Our logistics team ensure the lowest cost with deliveries on time. We work under the premise of comply with legal, customs and logistics regulations. We oversee the logistic process for non-technical and technical materials that the company requires to operate.



Supplier selection and monitoring

We guarantee that our suppliers comply with our preselection process, including a risk assessment to assure, they are not involved in laundry processes and/or terrorism financing. When the amount of the request for proposal is too high, we also validate the financial situation of each supplier.



Contract and procurement management

We trained our people (those in charge of the contracts) to acquire the knowledge to correctly manage the relationship with our suppliers through periodical meetings and effective communications.



Supplier relationship management

We ensure that the relationship with our suppliers is align with our business and ethical code and with all our internal policies.

The Code of Ethics for suppliers is included in our Code of Ethics, section 2.2.4. Supplier, Contractor and Customer Relations, and in the Anticorruption Policy, section 4. Any form of bribery is absolutely for bidden



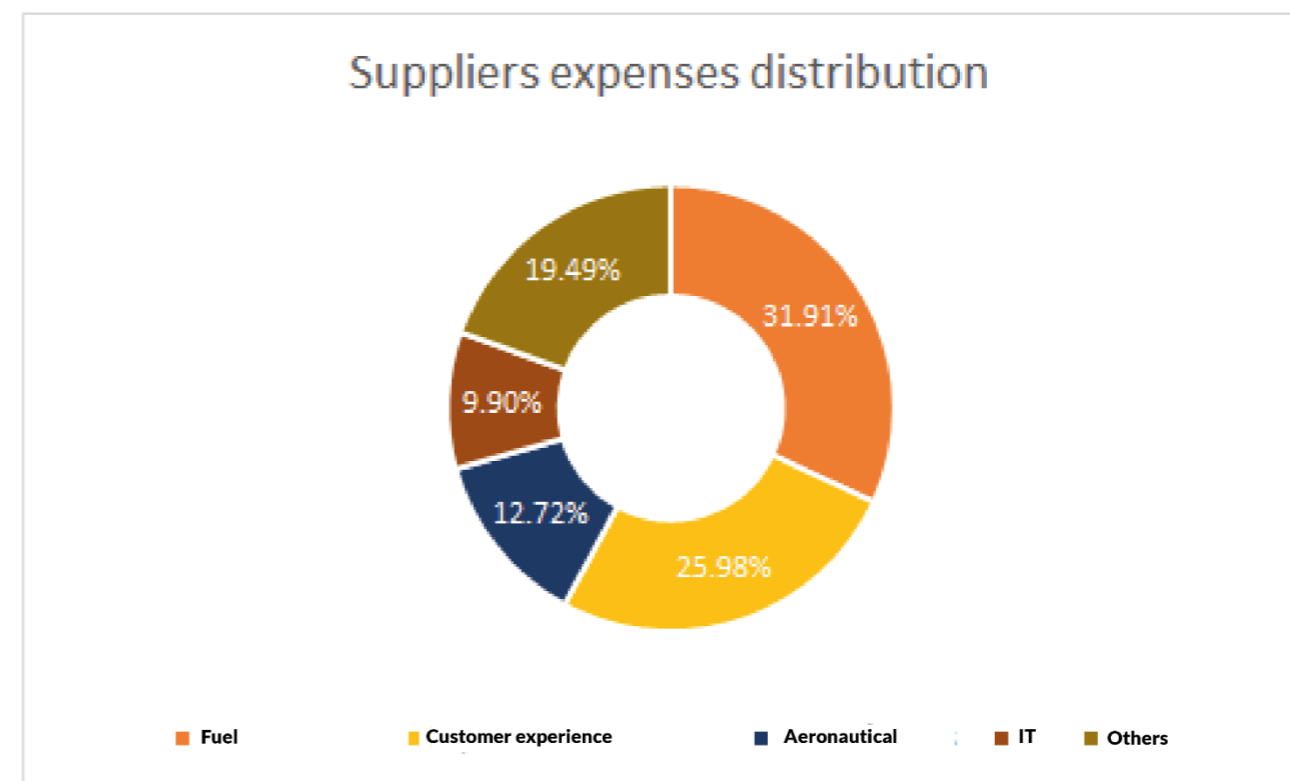
Distribution of our suppliers by region

Region	Percentage
Colombia	33.00%
North America	21.50%
South America	18.00%
Central America	13.89%
Europe	7.15%
Caribbean	5.89%
Asia	0.47%
Oceania	0.02%
TOTAL SUPPLIERS	5,074

During 2020, local suppliers in each of the bases we operate have become strategic allies that allow us to attend the current situation generated by COVID-19 and also mitigate risks in our operation, especially on routes that are not regularly operated by the airline, as Europe and Asia.

With the aim of optimizing our processes and achieving greater efficiencies along with the implementation of new technologies, we concluded the process of migrating our suppliers to the SAP ARIBA platform, which has enabled us updating the information on our partners who form part of the business strategy.

Diagram 04: Distribution of our suppliers by region¹⁰



Distribution of expenses by region¹¹

Region	Total Amount (USD)	%Spend Region
CO	\$ 856,299,151.45	48%
CAM	\$ 385,705,995.22	22%
NAM	\$ 304,372,286.98	17%
SAM	\$ 130,148,862.00	7%
EUR	\$ 95,278,582.88	5%
CAR	\$ 9,663,512.90	1%
	\$ 1,781,468,391.43	

10. The "Others" category includes the expenses related to professional fees, legal fees, machinery and equipment, leases, staff transport, cargo transport, equipment, furniture, office supplies, insurance, entertainment, and general and administrative costs.

11. The information on EUR consolidates the expenses of Europe, Asia and Oceania. The information on CO consolidates the expenses of Colombia with suppliers without a registered country.



Supply Chain monitoring

With the aim of monitoring our supply chain performance, we implemented the following actions:

	<p>Using established criteria which includes legal aspects, financial impact and supply risks. We verify that our suppliers are not included in restrictive and binding lists under our compliance and risk management model for third parties.</p>
	<p>The service level agreements were strengthened to guarantee that goods and services serve by our suppliers under contract are satisfactorily provided.</p>
	<p>Given the impact caused by COVID-19 pandemic and its harmful results to our industry, we had to begin a reorganization process under Chapter 11 of the U.S. Bankruptcy Code in the United States. Therefore, our spending and purchases were lower, and we had to interrupt the supplier's performance assessment this year. Nevertheless, we achieved to digitalize this process through Ariba making it more efficient.</p>
	<p>We achieved synergies between the Maintenance and Procurement areas by monitoring the supply chain indicators monthly, resulting in beneficial effects on aircraft uptime, transit times of aircraft components and inventory service levels. This is part of our commitment to operational efficiency through which we aim to reduce delays and cancellations related to this process.</p>
	<p>Focused on being a profitable company and hand in hand with technological tools, our annual supply planning and purchases model allows to establish and generate savings with a positive impact on our finances.</p>
	<p>Although the monthly monitoring of supply chain indicators was temporarily suspended as the passenger flight operations were driven to a halt by the COVID-19 pandemic, they were reestablished as the operations were ramped up as part of our commitment to operating efficiency.</p>



Risk management in the supply chain

We identify the risks and impacts that could arise in our supply chain, with the aim to establish the correction and prevention measures necessary to prevent the materialization of the risks.

In this regard, we migrated from an amount-based contracting model to a risk-based model. We elaborated the Contract Risk Matrix, to identify any negotiations that are strategic, and those that are not, from the point of view of the risk, or impact associated with this negotiation. This was a holistic work carried out with all areas that supports the supply chain of the company, which allowed us to articulate or complement the advances that we have already made with the contract templates. The purpose of this first exercise –elaboration of contract and commercial agreements templates is to identify and minimize a priori the risks associated with the Supply process.

In 2020, we worked on strategic issues such as the environment, ethics, money laundering and terrorist financing, information security and industrial, operational, and physical safety, as part of our commitment to responsible supply chain management, focusing our actions on the following areas:

Impact assessment on the services provided by our suppliers with the participation of the Internal Assessment and Risk Management Directorate.

Identification of the purchase categories that may present higher risks.



Sustainability risk

Jointly with world-class suppliers aligned to our goals, we work towards the responsible management of the supply chain identifying and managing the associated sustainability risks. The following criteria was used to categorize our suppliers in accordance with our segmentation model:





In the last supplier segmentation, which is carried out every two (2) years, we obtained the following results:

Type	Description	Groups
A	(High) Strategic suppliers on which management needs to focus	43
B	(Medium) Suppliers that require moderate monitoring and/or specific attention	29
C	(Low) Suppliers that require occasional actions or minimal monitoring	49

Our segmentation model enables us to analyze those suppliers that may represent a risk in terms of sustainability, including safety and environment as part of our assessment criteria.

Risks related to ethical conduct are prevented and monitored through our financial and legal guidelines, which are geared towards addressing the risk of money laundering and terrorist financing, in compliance to the Code of Ethics, Anti-corruption Policy and SIPLAFT policy. As a result, we ensure that our suppliers acknowledge their awareness and comply with our afore mentioned policies.

In addition, for purchases related to the acquisition of goods and services other than those required for aircraft operations and maintenance, we verify suppliers' commercial references during the selection process, guaranteeing transparent relationships with future suppliers.

Critical suppliers are those whose goods or services have a significant impact on our operations, environment, industrial safety, physical safety, operational safety, information security, customer experience and digital transformation, as well as those that are difficult to replace.



ESG¹² Integration in SCM Strategy

Avianca's procurement strategy is based on the Category Management model. This model works on our human resources and teams' development by increasing the expertise and knowledge to engage in every negotiation. This ensures that we increase efficiency in the supply chain by establishing appropriate service levels on contracts and agreements and performance monitoring to guarantee compliance.

In addition, the category specialization renders an expertise on each negotiation to identify both supply chain and price-based savings to reduce overall spend by reducing unitary costs. Finally, the company's procurement policy ensures we are engaging in sustainable business by monitoring each negotiation process, while guaranteeing the development of strategic partnerships and long-term relationships with world class suppliers. Furthermore, we centralize more purchasing categories (before were managed from other departments) to potentialized this model.

Considering ESG factors, we worked to develop those objectives:

	Description of ESG objective Link to overall supply chain strategy	Link to overall supply chain strategy
1	To mitigate risks Avianca assures no commercial relationships are engaged with suppliers reported on Money Laundering blacklists, internationally recognized databases of sanctioned companies and individuals, terrorist watch lists and politically exposed people, among others. ¹³	Through the Compliance and Risk Management model, we aim to have sustainable business models ensuring the verification of all our suppliers across more than 300 lists: binding, legal aspects, financial impact and supply risks. This assessment is carried out prior to the engagement and on a periodical basis until the end of the business relationship. Therefore, to avoid relationships with entities related to Money Laundering and Terrorism Financing Risks (SIPLAFT) it is a strict internal policy to mitigate the reputational risks and contribute to do business with world class suppliers.
2	Strengthen our contracts through robust ESG clauses according to the contractual risk of the good or service provided by our suppliers in 31 of our purchase categories, aiming to mitigate the following risks: environmental, industrial, occupational health, IT, safety and security, operational security and dangerous goods, and human rights, as well as generate transparency in our contracting processes.	In order to ensure the development of strategic partnerships and long-term relationships with our key suppliers we strive to generate transparency in our contracting processes, so our suppliers acknowledge our ESG clauses and accept them before the signature of the contract. Also, by including the best market practices we seek to establish even more efficient relationships with our suppliers by reducing the contracting times.

Also, during 2020 we looked over our supply chain with Oliver Wyman- consulting firm – aiming to strengthen the process and face the new industry conditions given by the COVID-19 pandemic.



13. If a supplier is reported in any of the blacklists, it would not be taken in consideration within any procurement process or negotiation



Our risk mitigation actions

Selection of ideal partners

- We verify that none of our suppliers are part of restrictive and binding lists.
- We assess the impact of the services provided through one of the segmentation criteria that consists of verify the suppliers in terms of: environment, information security, operational, industrial and physical safety.
- To proceed with the performance assessment, we included in our supplier segmentation criteria aspects related to the impact of the goods and services on our operations.

Technology management tools

• Supply chain had a deep technological transformation with SAP, the latest ERP in the industry. With SAP we can:

- Have online information in a cloud system that provides real-time data.
- Update electronic billing processes and make digital activities like the supplier registration.
- Analyze detailed information of all the Holding companies.
- Make timely decisions focused on profitability and spend efficiency.
- Simplify and make easier logistics and financial tasks as travel management, payments and supplier billings (also for petty cash), fiscal, assets and stock management, and non-aeronautical maintenance.
- Have more precise financial planning.

Also, the connection to Ariba platform generates greater efficiency in purchasing management and guarantees full tracking of the process. Moreover, with Ariba Network the suppliers can manage their billings and purchase orders.

In 2020 we concluded the migration of our suppliers from Oracle (previous ERP) to SAP.

Our Code of Ethics and Standards of Business conduct include relevant information regarding human rights, environment, sustainability, protection of children's rights and zero tolerance for corruption, as important information for our suppliers to know about and be aware of. In our supplier's section on the website Avianca.com these documents can be found. Also includes the supplier registration process.

Available at:

<https://www.avianca.com/co/en/about-us/our-suppliers/>



AEO Certification

In accordance with our authorization process as an Authorized Economic Operator (AEO) certification, we identify our critical business associates for the international supply chain who will be visited after the COVID-19 emergency. This are on-site visits on the facilities where business associates carry out their operations, in order to verify compliance with minimum security requirements, by completing a visit format that includes aspects related to the process safety, personnel safety, document security, physical security, access controls, security programs, supplier certifications, among others.

The AEO certification generates a series of benefits in international trade operations and recognition as a safe company for its business associates as well as the control authorities.

How did we adapt in 2020?

Considering the challenges by the COVID-19 pandemic, we supported the restructuring process of the company by working with our suppliers and partners to renegotiate the procurement agreements making it more flexible and cost-effective, conserving cash flow and being more sensitive to the supplier's needs. Also, we focused on supply goods and services that fulfilled BioCare protocols to reactivate safely our operation.

On the other hand, we reached to make the supply chain more efficient, optimizing, and spending-controllable with SAP implementation.

As a company we achieved:

- 1** A more efficient cost structure yielded improved profitability in January & February 2020.
- 2** The COVID-19 pandemic forced the Holding to file voluntary petitions for relief with the U.S. Court (Chapter 11 protection in May), we are still walking successfully throughout that process.
- 3** Avianca filed various motions with the U.S. Court, requesting authority to, among other things, (i) maintain certain operations and (ii) issue payments to various third parties.
- 4** Avianca successfully organized its costs and can continue to respond to COVID-19 operating realities with a flexible cost structure (variable costs ~75%; semi-variable ~20%).
- 5** Avianca restarted passenger operations at September allowing us to ramp up revenue generation reducing the gap between Operating Revenues and OPEX.

- 6** Avianca stabilized its operation and financial position, while found approval of debtor-in-possession financing to fund restructuring efforts.
- 7** Avianca executed the ramp up plan and setting up the market demand in the post-COVID environment.
- 8** Avianca implemented restructuring initiatives, including renegotiating employment and maintenance contracts.
- 9** Reviewed executory contracts and renegotiating key contracts to ensure a competitive cost structure.

We made progress in the challenges we took on 2019

- We adapt our purchase and sourcing processes to the company's reorganization to continue operating in this challenging environment caused by the pandemic. This includes initiatives and projects to reach high cost-savings.
- In terms of the Authorized Economic Operator (AEO) certification in Colombia, we fulfilled around 115 requirements related to safety, transparency, and trust in the supply chain of Avianca and Tampa Cargo Colombia. In November 2020 we received the first visit from the DIAN customs authority who have reviewed compliance with the 192 requirements that can enable us as AEO in 2021 for Tampa Cargo S.A.S.
- We found suppliers with the capacity to be strategic centralizing forces throughout the process of international transport and customs procedures for technical and non-technical supplies.
- In 2020, we carried out a market exercise, selecting renowned international logistics suppliers that could fulfill these expectations. In the second quarter of 2020 we have selected the logistic supplier which will take on 2021 the COMEX operation for Colombia, Guatemala, México, Costa Rica, El Salvador, and Ecuador.

Our future 2021

- Achieve the company's reorganization and sustainability together with our suppliers.
- Make new supply agreements according to the fleet's latest size.
- Implement a new foreign trade software that can reduce the complexity in the process, measure the end-to-end operation, and comply with customs requirements in all the countries where Avianca operates.
- Implement new technologies to build lean processes.
- Make progress in stock management tools.
- Build a more precisely Supply plan.
- Move forward to news technical-purchase tools to improve the purchase orders follow up and reduce the drawback of these activities.
- Rethink supply's workflow.
- Make further progress in the consolidation model of the centralized purchases of the Holding company.
- Evaluate our suppliers' performance at different depth levels.
- Create value for the company through negotiations that allow reducing costs or innovation in the supply chain.
- Continue to train the company's contract managers and increase their areas of knowledge and applications regarding our suppliers.



10

**The essence of our actions:
ethics and integrity**

Our Corporate Governance

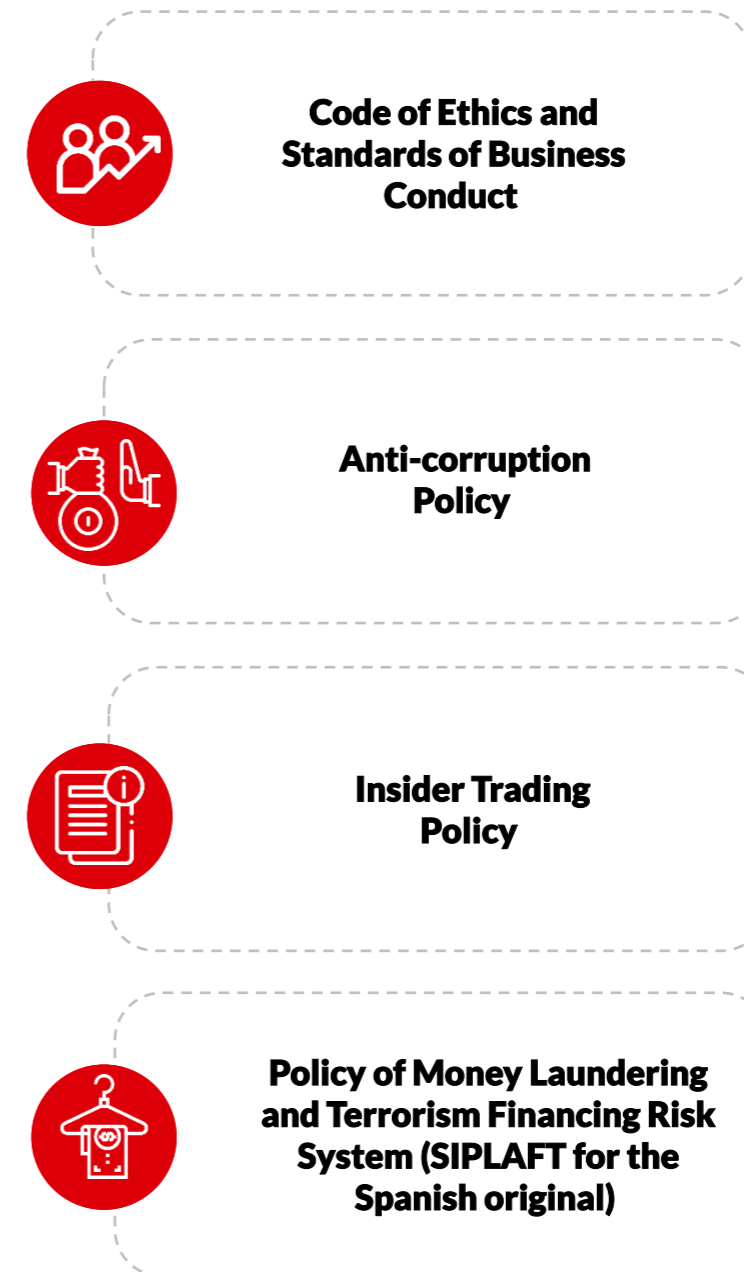
In order to ensure an effective and valuable operation and an accessible and trustful relationship with our stakeholders, shareholders and investors, the Company has set through its Board of Directors a guideline of good governance practices.

The Company constantly promotes a culture of ethics and transparent corporate management by implementing good corporate governance practices, to fulfill our legal obligations and the commitments acquired with investors and the stock market. The protection of the rights of shareholders and investors and equal treatment for the different stakeholders has always been a priority for the Company.

Our objectives

- Create value through transparent corporate management.
- Create an ethical culture within the Company.
- Protect the rights of shareholders and investors and ensure equal treatment for the different stakeholders.
- Implement good corporate governance practices in order to fulfill our legal obligations and the commitments acquired with investors and the stock market.

Complying with the implementation of best corporate governance practices, the Company has established a general management guideline for the Company's subsidiaries, aimed at facilitating the adoption of policies and processes. The following are the documents that regulate our corporate governance:



The following corporate documents define our corporate governance practices:




Excluding the Social Pact (subject to shareholders' approval and applicable only for the Company) these documents are submitted to the approval of the Company's Board of Directors and are applicable at all its subsidiaries.

Because the Company is listed company in the Colombian and United States stock exchange, Bolsa de Valores de Colombia and on the US OTC Market, it is subject to control by the Financial Superintendence of Colombia, pursuant to the terms of Law 964/2005, and subject to the 1933 Securities Act and its amendments, the 1934 Securities Exchange Act and its amendments, as well as control by the Securities and Exchange Commission (SEC) and to applicable provisions of the 2002 Sarbanes-Oxley Act and the rules of the New York Stock Exchange (NYSE).





Our Board of Directors

 **GRI 102-18, 102-22, 102-23, 405-1**

Our **Board of Directors** (the highest management body) is composed by executive members with an outstanding professional track record and airline industry experience. Currently, all our directors are men which are not members of the Company's executive management.

Also, most of our directors are over 60 years old, except for James Leshaw, Jose Gurdian, Rodrigo Salcedo and Jairo Burgos, who are between the ages of 45 and 59.



Roberto Kriete:
Non-executive Non-Independent
10 years of seniority



James P. Leshaw
Non-executive Independent
2 year of seniority



Jairo Burgos de la Espriella
Non-executive Independent
1 year of seniority



Oscar Dario Morales
Non-executive Independent
9 years of seniority



Richard Schifter
Non-executive Independent
1 year of seniority



Alvaro Jaramillo
Non-executive Independent
10 years of seniority



Fabio Villegas
Non-executive Independent
1 year of seniority



José Gurdian
Non-executive Non-Independent
Less than one year of seniority



Sergio Michelsen
Non-executive Independent
1 year of seniority¹



Rodrigo Salcedo
Non-executive Independent
1 year of seniority



Roberto Zamora
Non-executive Independent
1 year of seniority²

To see our Board members' CVs, you can visit the following website: <http://aviancaholdings.com/English/corporate-governance/default.aspx>

1. Renounce on June 2020
2. Renounce on May 2020



Our committees and their members

Until August 2020 our governance structure included four (4) Board committees that provided support to the operation, and whose purpose was to establish guidelines and supervise management of economic, social, environmental and governance matters: (i) Executive Committee; (ii) Finance and Investment Committee; (iii) Human Resources and Compensation Committee and (iv) Audit and Corporate Governance Committee.

In order to improve our good corporate governance practices in compliance with the Securities Exchange Act of 1934 and Colombian Law, the Board of Directors decided to remove the Finance Committee in August 2020 and structure a new Committee's scheme to be implemented in 2021.



Executive Committee

- Alvaro Jaramillo: Non-Executive Independent – 1 year of seniority
- James Leshaw: Non-Executive Independent – 1 year of seniority
- Oscar Morales: Non-Executive Independent – 1 year of seniority



Finance and Investment Committee

- Roberto Kriete: Non-executive Not Independent - 10 years of seniority
- Oscar Morales: Non-executive Independent - 9 years of seniority
- Alvaro Jaramillo: Non-Executive Independent - 10 years of seniority
- Fabio Villegas: Non-Executive Independent - 1 year of seniority
- Richard Schifter: Non-Executive Independent - 1 year of seniority



Human Resources and Compensation Committee

- Jairo Burgos: Non-Executive Independent 1 year of seniority
- James Leshaw: Non-Executive Independent 1 year of seniority
- Rodrigo Salcedo: Non-Executive Independent 1 year of seniority
- Roberto Kriete: Non-Executive Not Independent 10 years of seniority
- Jose Gurdian: Non-Executive Not Independent Less than one year of seniority



Audit and Corporate Governance Committee

- Oscar Morales: Non-Executive Independent 9 years of seniority
- Rodrigo Salcedo: Non-Executive Independent 1 year of seniority
- James Leshaw: Non-Executive Independent 2 years of seniority

Management has established an Executive Leadership Team and some specialized committees, which analyses specific matters of the Organization's administration.

Our Executive Leadership Team

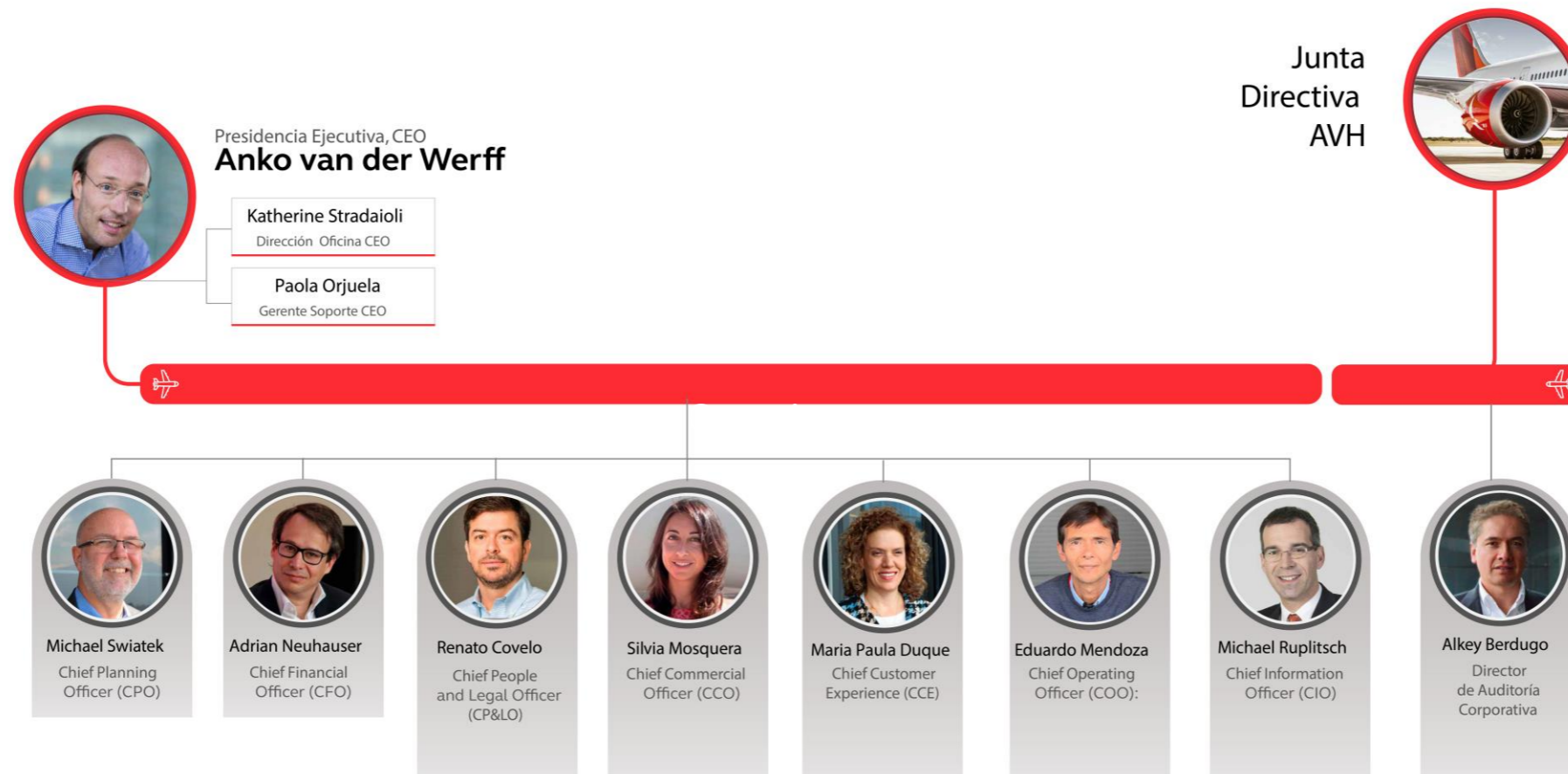
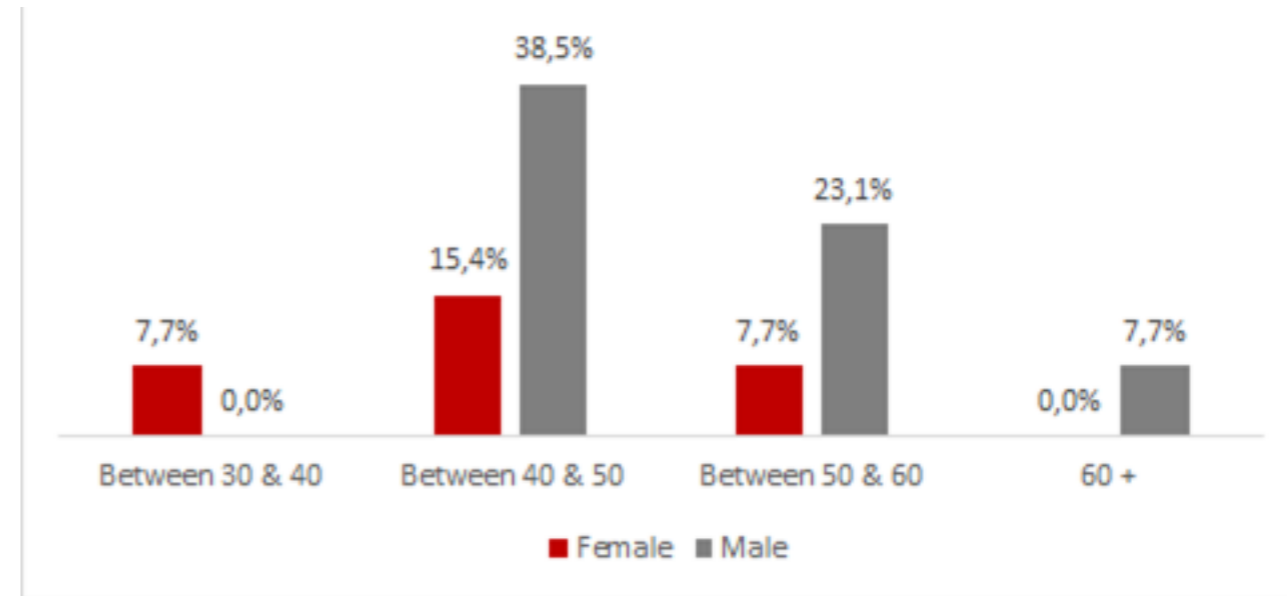
The following are the members of our leadership team as of December 31, 2020:

Diagram 05: Executive Leadership team

- Anko van der Werff (Chief Executive Officer)
- Silvia Mosquera (Chief Commercial Officer)
- Eduardo Mendoza (Chief Operating Officer)
- Michael Swiatek (Chief Planning Officer)
- Adrian Neuhauser (Corporate Executive Vicepresident).
- Renato Covelo (Chief People Officer).
- Maria Paula Duque (Chief Customer Experience Officer).
- Michael Ruplitsch (Chief Information Officer)
- Matt Vincett (Chief Loyalty Officer and LifeMiles CEO)
- Katherine Stradaoli (Chief of Staff)
- Kurt Schosinsky (Avianca Cargo General Director)
- Susana Argueta (Deprisa General Director)
- Carlos Monzón (SAI General Manager)
- Richard Galindo (Secretary – Legal Vice President)

GRI 405-1 Diversity in the executive leadership team

Table 02: Percentage of executive leadership team broken down by age and gender



Our corporate governance management



GRI 102-19; 102-26; 102-29

Duties of the highest governance body

- Defining the company's strategic direction. Leading the definition and update of the company's strategic direction, vision, mission and values.
- Defining the company's competitive advantages and their enablers.
- Ensuring the implementation of projects in accordance with the business plan and strategic direction.
- Ensuring the fulfillment of the decisions made by the Board of Directors led by the implementation teams.
- Providing feedback regarding the economic, environmental and social decisions made by the Board of Directors and corporate committees.
- Approving the general policies applicable to the company and the companies incorporated thereunder.
- Defining the strategic guidelines of the Business Group.



GRI 102-28

Performance assessment of the highest governance body

An annual assessment of the Board is performed by means of a questionnaire submitted by management to the Board members, requesting their self-assessments as board members, as well as an assessment of the Board's collective performance. In 2020, Board members were requested to assess the following matters:

- Knowledge of the organization, the industry, and the market. Knowledge of the policies adopted by the company.
- Their interaction, participation, commitment, punctuality, performance, and satisfaction as Board members.
- The Board's organization, competencies, commitment and compliance.
- The Board's interaction with and monitoring of Management. Work environment, work tools and facilities.



GRI 102-24

Selection process of the members of the highest governance body

- Our Board of Directors is appointed and selected in accordance with the Pacto and the provisions of the Joint Action Agreement- JAA entered on November 29, 2018, between Avianca Holdings S.A., Kingsland Holdings Limited, BRW Aviation LLC and United Airlines Inc.
- Also, according to the JAA, the Board of Directors must have a majority of independent members, according to the rules and regulations of the New York Stock Exchange- NYSE.
- The shareholder groups are responsible for appointing independent and non-independent directors according to the percent ownership or shareholdings represented by each group of shareholders in Avianca Holdings. Two of the independent directors must be selected by mutual agreement between BRW Aviation LLC and Kingsland Holdings Limited. These directors by mutual agreement must have experience in airline management, finance and/or governance.
- Also, the appointment of the independent members must take into account the independence criteria established under the NYSE.



GRI 102-20; 102-29; 102-31; 102-32

Responsibilities on economic, environmental, and social matters

- All the C-suites and Vice presidencies are involved in economic matters, and they are each responsible for various fronts covering these matters.
- The Chief Customer Experience Officer (CCXO) and Chief People Officer (CPO) take the lead in environmental and social matters, in line with our sustainability and shared-value generation strategy. Additionally, other areas of the organization, including: Technical and Maintenance, Strategy, Supplies, Finance and Customer Experience, work on the incorporation of an eco-efficient fleet.
- The ordinary meetings of the Board of Directors and its Committees also review economic matters that because of the Board's spending manual, or because of their strategic matters are within their purview. Environmental and social matters that apply throughout the Holding company are developed into policies, which are approved by the various Board Committees and directly by the Board of Directors.
- The Chief Customer Experience Office, through the relationship and sustainability directorate, takes the lead in the preparation of the Annual Report, which is submitted to the Board of Directors and subsequently to the approval of the General Shareholders' Meeting.

GRI 102-19; 102-26



Board of Directors delegation of authority

- The Board of Directors delegates some of its decisions and management to Senior Management by means of a Team meeting, which is comprised by the CEO and his direct reports.
- The Team meeting has the full context of the company's economic, environmental, and social matters, to which end it meets on a weekly basis.
- A follow-up mechanism is in place to ensure that the decisions are implemented, and for the effects of resource planning.
- Before the COVID-19 Pandemic, the Chairman of the Board created an advisory group in which some Board members treat specific matters of relevance to the Board.
- Additionally, through the CP and the Business Analysis Office of the Presidency/Chief of staff, Senior Management ensures that the Board of Directors and the Team Meeting are working strategically in step.



GRI 102-27

Leverage of collective knowledge of the highest governance body

- We periodically arrange sessions with the Board of Directors to update information on the socioeconomic context. Such sessions also review issues that have an impact on Avianca's relations with its various stakeholders in Colombia and in the countries where we operate. We send weekly updates related to the restructuring and the evolution on the company during the COVID-19 pandemic.
- The Board Committees also schedule meetings with experts on several topics of interest to implement new methodologies for management practices.
- Similarly, the ordinary Board meetings include strategic discussions related to sustainability.



GRI 102-33

Communication of critical concerns

- Critical concerns must be accompanied by an analysis of risks and their materialization. These situations may be escalated by the Risk Committee, or by the President's direct reports, and depending on the materiality of the issue, it must be forwarded by the Audit Committee to the Board of Directors.



GRI 102-35

Definition of remuneration

The Human Resources and Compensation Committee supports the Board of Directors in the development of policies regarding the appointment and remuneration of the members of the Board of Directors and of Senior Management. It is also responsible for:

- Developing an approach for the strategic management of Human Resources in terms of compensation and development.
- Proposing a remuneration policy to the Board of Directors, to be submitted to the approval of the General Shareholders' Meeting.
- Reviewing the development and compensation policy in terms of salary and the incentives, benefits and awards programs that apply to Senior Management, making recommendations.



GRI 102-25

Conflicts of interest management

- Our Code of Ethics and Standards of Business Conduct, our Policy on Managing Conflicts of Interests of Managers and the Rules of the Audit Committee regulate the procedure to be followed in the event of conflicts of interests of the organization's directors and employees.
- As part of our good governance practices, we hold as needed, meetings for the disclosure of any conflicts of interest, to ensure that any cases involving Board members are reported to the Audit and Corporate Governance Committee, which issues a recommendation on its management, and the decision is made by the Board of Directors. Any such conflict of interest is disclosed in the 20F report.
- In compliance with the International Financial Reporting Standards (IFRS) - IAS 24 "Related Party Disclosures" and best corporate practices, the Board members and executive officers sign a related party disclosure.



Additional information on the corporate governance of Avianca

- Additional details on this matter can be found attached to this report, in our Annual Corporate Governance Report of Avianca Holdings S.A. Additional information is also provided in the Corporate Governance section of our website:
- <http://aviancaholdings.com/English/corporate-governance/default.aspx>

Legal situation

In 2020, the company complied with regulations on intellectual property and copyrights in connection with the use of installed software at the Company and the subsidiaries in the countries where it operates. Moreover, we left proof that we do not prevent the free circulation of invoices issued by vendors or suppliers in accordance with the provisions of Law 1676 / August 20, 2013 regarding the receipt and payment of invoices by itself and its subsidiaries incorporated in Colombia. Finally, all the requirements set out by the oversight entities were fulfilled and the regulations applicable to the Corporation were complied with.

How did we adapt in 2020?

- In order to improve its good corporate governance practices, the Board of Directors analyzed the composition and functions of the Board Committees and decided to remove the Finance and Investment Committee and transfer its functions to other Committees.
- The Board of Directors also decided to state a Committee of Corporate Governance that will be in charge of all corporate governance matters of the organization.

Our future 2021

- Implement a better corporate governance structure as a result of the Board of Directors Committees restructuring.
- Obtain a sixth Investor Relations-IR Recognition, awarded by the Colombian Securities Exchange.
- Increase the percentage of fulfillment of best corporate governance practices by between 8 and 10 percentage points.

Our values

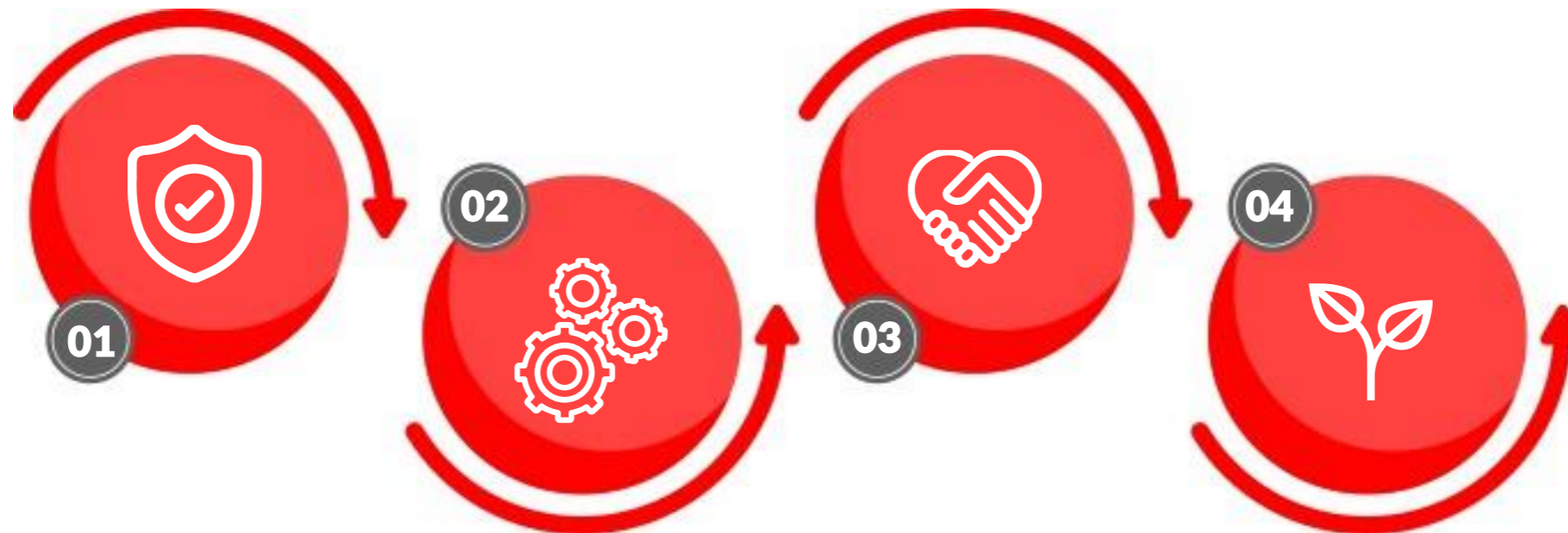
Ethics and compliance

Security is our priority

- We protect our customers and value the trust they place in us.
- We take care of ourselves and comply with work-safety procedures

We serve with passion and integrity

- We like to serve with integrity, warmth, empathy, practicality and proactivity
- We choose to be here because it is our calling, and it moves our lives



We work as one and we enjoy what we do

- We make progress together and in harmony to achieve results
- We find happiness in building together, and in complementing and recognizing each other

We innovate with sustainable impact

- With our ideas and mindful actions, we create value for our stakeholders.
- We experiment and implement initiatives to make things better.



Global Compact

The purpose of Avianca is to educate its employees and those who work for or on behalf of the Company regarding applicable anti-corruption laws and, clarify that the Company has a "Zero Tolerance" policy on any conduct that could be considered a bribe or that could, in any other way, be considered corrupt. As a Company, we always uphold the highest standards through policies that promote honesty and transparency among our employees, suppliers, customers, and shareholders.

For Avianca, ethics culture is a representation of how we determine a global destination, with beliefs that become experiences in an ethical and responsible path to make the right decisions. We must all understand and comply with the laws, regulations, standards, policies, and procedures to prevent, detect, and correct unsafe, unethical, or criminal acts. Therefore, we promote a "Zero tolerance" culture to these types of conducts, so that, from senior management we commit to each of our employees, clients and third parties who are part of the Organization, to generate and take relevant steps to achieve world-class personal, professional, and corporate ethics.

To succeed with our ethics culture, we have implemented the Ethics and Compliance program, which has been developed under a risk management system, with the purpose to generate a corporate culture of integrity.

Our program is supported by the following policies, standards, and codes of conduct, which have been approved by the highest governance body and are available at aviancaholdings.com website for all stakeholders:

- **Code of Ethics and Standards of Business Conduct:** its purpose is to declare the values, principles and rules that inspire the Company's action and the behavior expected from its employees. The term *Employees* shall be understood in a broader sense and will include the following groups of people, in the terms set forth herein: executives, employees bound by an employment contract and related Third Parties.


Our Code of Ethics is available at the following links:

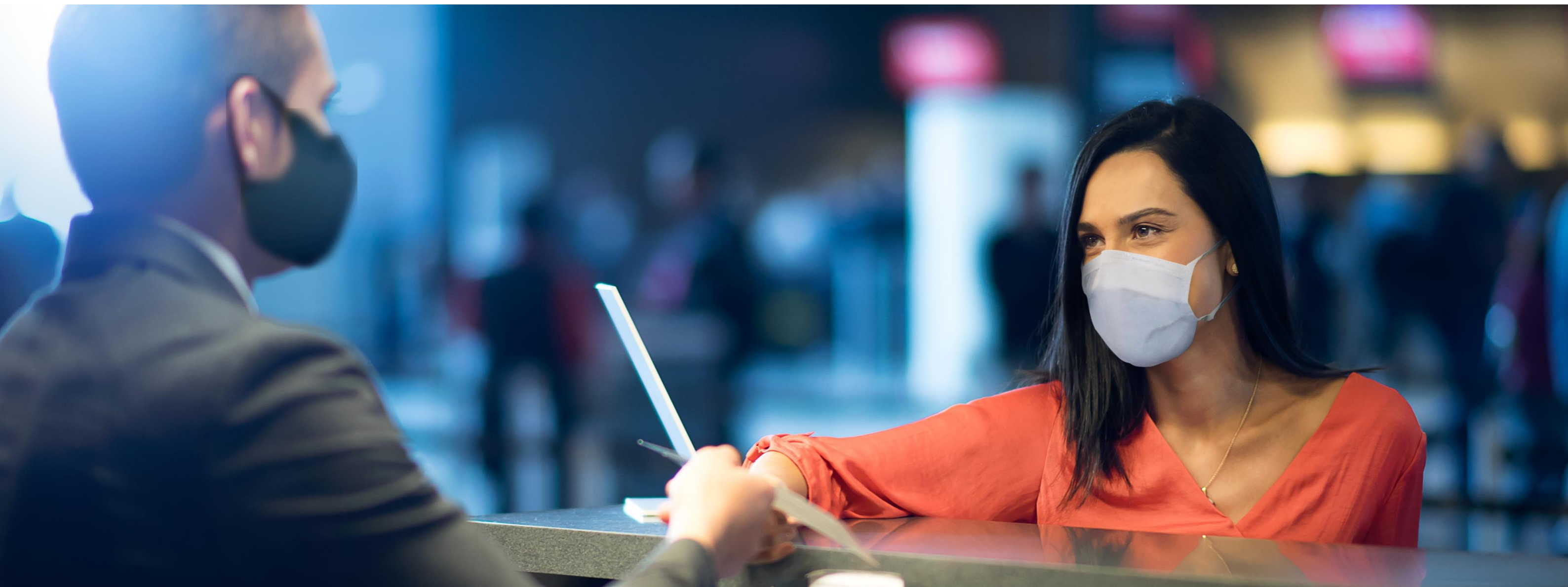
<https://www.avianca.com/co/en/about-us/who-we-are/ethics-and-compliance/>

For investors: <http://aviancaholdings.com/English/corporate-governance/default.aspx>

- **Anti-corruption Policy:** it establishes the prohibition of bribing government officials or private parties. Additionally, the policy aims to ensure compliance with anti-corruption laws in different countries, including the Foreign Corrupt Practices Act-FCPA, ensuring the prevention of bribery and transparency in accounting books and records. It also includes provisions on giving and receiving gifts, courtesies and hospitalities to politically exposed persons, among others.
- **Policy of Money Laundering and Terrorism Financing Risk System-SIPLAFT (By its acronym in Spanish)¹⁴** This Policy is aimed at establishing the general foundations on which the Company is to manage the system for preventing and controlling the risk of money laundering and terrorism financing regarding the processes, operations, and business relations it carries out in the course of its activities it has the following objectives: a) contribute towards creating a culture of prevention inside the Company and to develop and apply a zero tolerance policy regarding money laundering and terrorist financing; b) describe the activities to be carried out related to current and future counterparties and to the knowledge of counterparties; c) mitigate or eliminate the ML/FT Risk for the Company; d) implement and administer the SIPLAFT. 1) risk identification; 2) knowledge of third parties (suppliers, corporate customers, employees); 3) training and communication; 4) implementation of controls and monitoring; and 5) report management.
- **Policy for the management of conflicts of interest involving managers of Avianca Holdings S.A. and its subsidiaries' Directors:** its purpose is to establish the principles and guidelines to prevent and manage in an adequate and timely manner any possible conflicts of interest that may arise in performance of the business of Avianca Holdings S.A. or any of its subsidiaries in which are involve managers and/or Directors, as defined in the scope of this policy.
- **Economic Sanctions Compliance Program:** it is the Program of Avianca Holdings, S.A., including its integrated companies, to comply with both the letter and spirit of all applicable international trade laws and regulations. We are committed to do business with integrity and complying with applicable legal and ethical standards. This Economic Sanctions Compliance Program is designed to help directors, officers, and employees of the Holding to understand how economic sanctions laws and regulations apply to the business' activities.

We renewed the commitment¹⁵ of directors, managers, and the Procurement team to comply with the Code of Ethics and Standards of Business Conduct; the Policy on Managing Conflicts of Interests of Company Board Members and managers; the Anti-corruption Policy; and the Policy and Procedure on Trading in Company Securities by managers.

 **GRI 102-17** The Ethics Hotline, managed by a third party, is available to employees and other stakeholders 24/7 to answer inquiries and file reports in an open, anonymous, or confidential manner, related to compliance with the Code of Ethics and Standards of Business Conduct, the Anti-corruption Policy and other internal policies.
Ethics Hotline: <http://aviancaholdings.ethicspoint.com>





Our committees

To monitor our performance, we periodically hold meetings of the following committees:

Ethics Committee

Its objective is to ensure compliance with the provisions of the Code of Ethics, its adequate interpretation, and to resolve any conflicts of interest of employees. The committee meets on a bi-monthly basis, according to a schedule defined during each year's first meeting.

However, extraordinary meetings may be held whenever situations that must be addressed by this committee arise. If necessary, the Ethics Committee reports to the Audit Committee of the Board of Directors of Avianca Holdings S.A., and to the relevant integrated companies, any situations related to possible illegal acts or fraud, and which the Ethics Committee deems of high importance, involving any employee, in addition to cases of conflicts of interest of Board members that it deems relevant to escalate.

PEP Committee

It is the highest body for the process of approving engagement with Politically Exposed Persons-PEP by the Company. The Committee holds meetings when necessary.

Additionally, external audits are performed on compliance with Foreign Corrupt Practices Act - FCPA, and on regulatory compliance by the Policy of Money Laundering and Terrorism Financing Risk System.

Through different national and international initiatives, we reinforce our commitment to the highest standards of ethics and compliance.

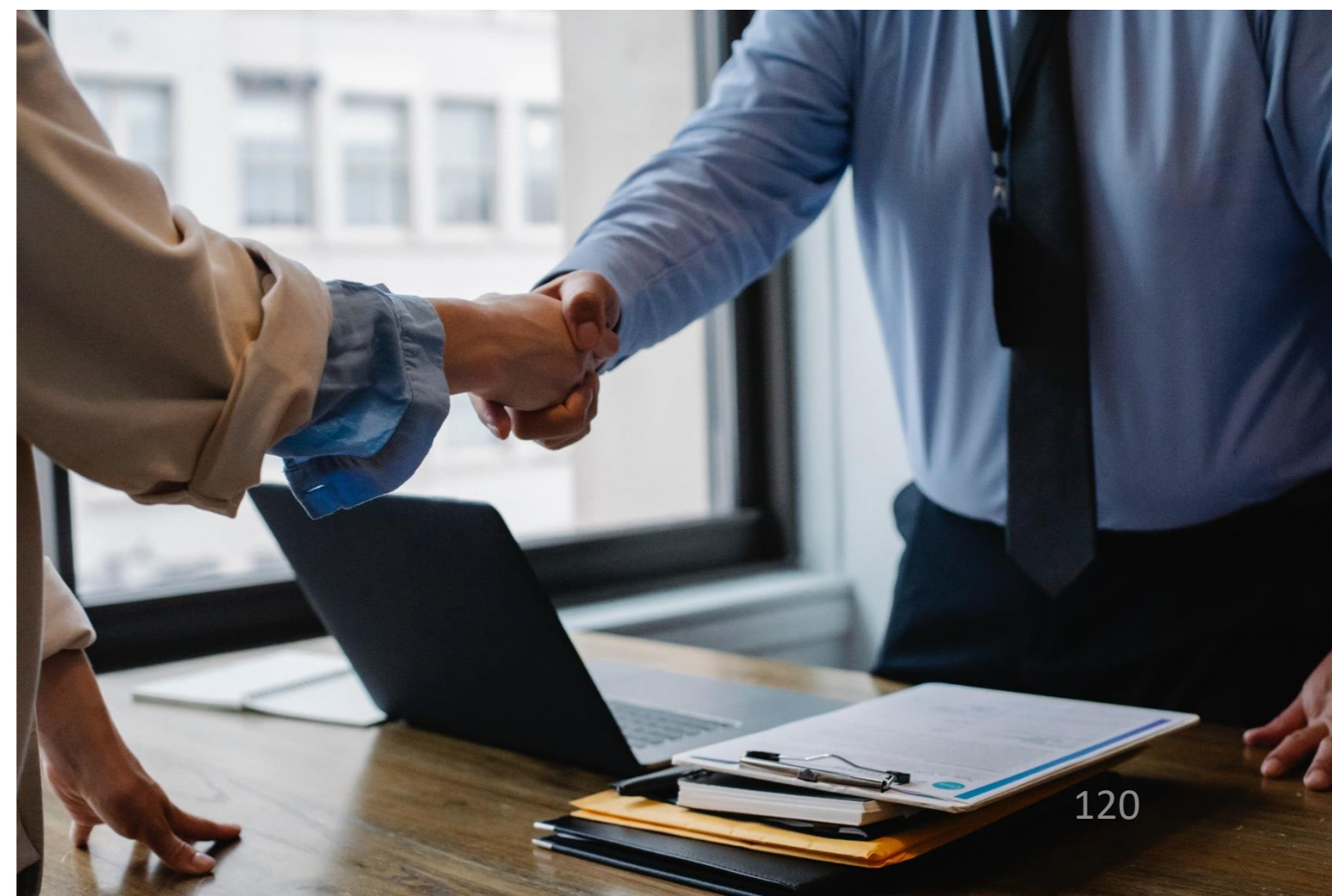


A global initiative that aims to promote integrity in the business world. It is comprised by the private sector, civil society, political organizations, and international institutions. It aims to strengthen the compliance capacity of companies and their supply chains.



Global Compact Network Colombia

We are part of the Global Compact Network in Colombia, incorporating the ten (10) principles in our objectives and corporate strategy, in the areas of human rights, labour, environment and anti-corruption. Consequently, we adapt our processes and aligned our performance indicators towards complying with the commitments assumed on our entry to the Global Compact. This Annual Report communicates the progress achieved in each of the four (4) areas mentioned above.





Our commitment towards the prevention of corruption and bribery

The Board of Directors of Avianca Holdings S.A. and all its subsidiaries are committed to adhering to the highest international standards, such as the United States Anti-Corruption Act, Foreign Corrupt Practices Act - FCPA and the Federal Sentencing Guidelines, and to complying with all applicable laws and regulations that rule their operations.

Our management for the prevention of corruption and bribery is based on raising awareness among our employees, or anyone who works for or on behalf of the Company, regarding applicable anti-corruption laws. The clear message is that the Company has Zero Tolerance for any behavior that may be considered bribery or that may be otherwise considered corrupt.

The Ethics and Compliance Program identifies, assesses, controls, mitigates, and monitors the risks of corruption/bribery, charity contributions and/or donations, contributions to political campaigns and lobbying activities.

We have in place a Procedure for Giving and Receiving Gifts and Gratuities, and Contributions to Political Campaigns, which indicates the steps to be followed and the requirements for situations of this type and defines when it is necessary to obtain the approval of the Ethics Committee or of the Board of Directors. It also establishes the prohibition of delivering gifts or gratuities to Politically Exposed Persons - PEP and defines the procedure for recording or reporting such cases.

We also have in place a Policy and Procedure on Trading in Company Shares by managers who have access to information that is privileged or that has not been disclosed to the market (insider trading)¹³.



GRI 205-3

During 2020, there were no confirmed incidents related to cases of corruption and bribery.

In 2020 and 2019, Avianca Holdings made disclosures to the United States Securities and Exchange Commission - SEC, and the United States Department of Justice - DOJ as part of its due diligence. Those disclosures are currently under investigation.



GRI 415-1 Political Contributions: In 2020 we made no contributions to political parties and/or representatives.

We measure our performance

We assess our performance through different indicators related to communications and training on matters related to Ethics and Compliance. Jointly with the training area of the Company, we developed an indicator for on-line training, through which we identify and monitor the number of employees, third parties and Business Units trained.

We also established three (3) levels of learning in the online training program: basic, intermediate, and advanced, to cover special needs of the audience and the risks involved in the activities carried out by the different areas.



Own indicator: Ethics and compliance training¹⁴

In 2020, we carried out online training to our employees to communicate our policies, and policy updates on topics related to Ethics and Compliance.



Communications and training on the Code of Ethics and Standards of Business Conduct and the Anti-corruption Policy:

We trained:

- 68% of employees hired in 2020 accomplished the Code of Ethics and Standards of Business Conduct online training.
- 65% of employees hired in 2020 accomplished the Anti-corruption Policy online training.

We communicated:

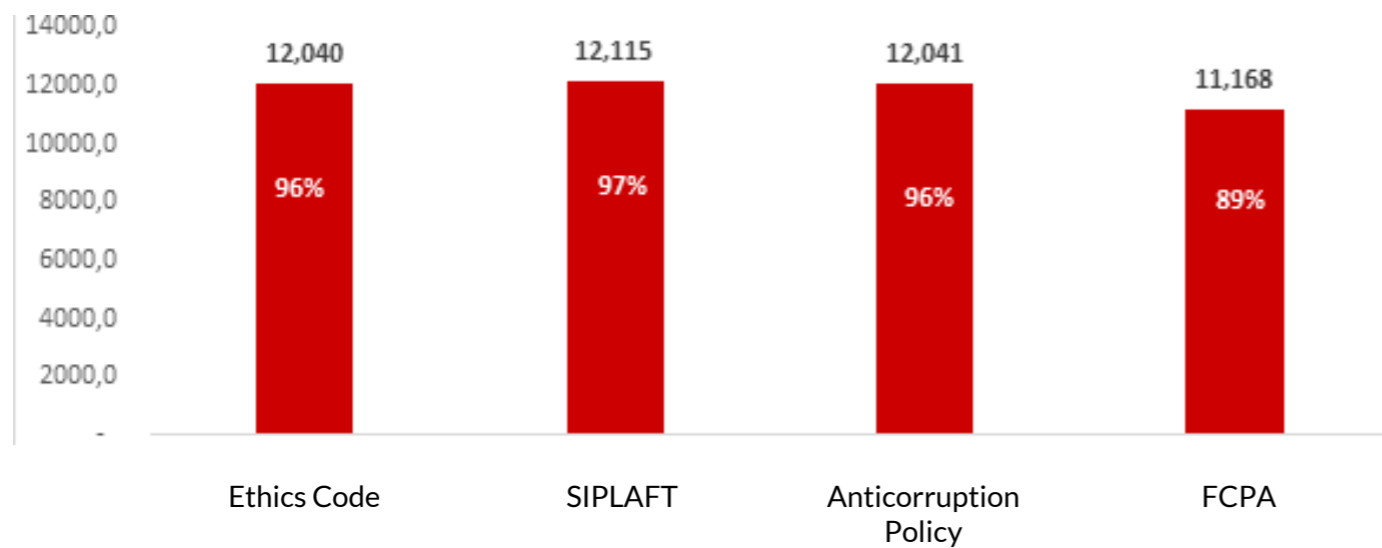
- The updates of the Code of Ethics and Standards of Business Conduct and the Anti-corruption Policy to active employees by email and to everyone by intranet publications.
- Employees that were hired in 2020 could not be active in some months of the year. In 2021, we will continue with this effort of training, reaching our employees who were not active during 2020.

13. Avianca Holdings uses as reference the definition of corruption and bribery set forth in the Foreign Corrupt Practices Act - FCPA, which defines corruption/bribery as any act of giving, offering, paying, promising or authorizing payments, either directly or indirectly, to public officials, with the purpose of influencing any decision or action by such officer, or inducing any action or omission in violation of the official's duties, solely with the purpose of obtaining, preserving or directing a business in a corrupt manner or to obtain an inappropriate advantage.

14. This information does not include SAI and AeroUnión and the data is calculated over 12,536 employees.

Based on the active employees at the end of the year, those that have been trained in Ethics and Compliance were:

Table 03: Number and percentage of employees certified in Ethics and Compliance online training



Additionally, we provided **online training** in topics related to ethics and compliance **including employees** of the following **Business Units:** LifeMiles, AeroUnión, SAI, Regional Express and Deprisa.





GRI 205-2 Communications and training on the Anti-corruption Policy



Communication

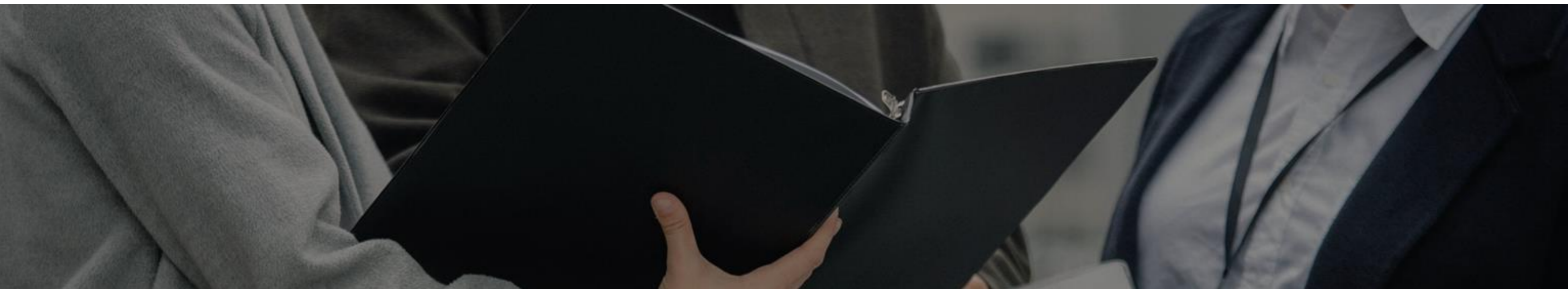
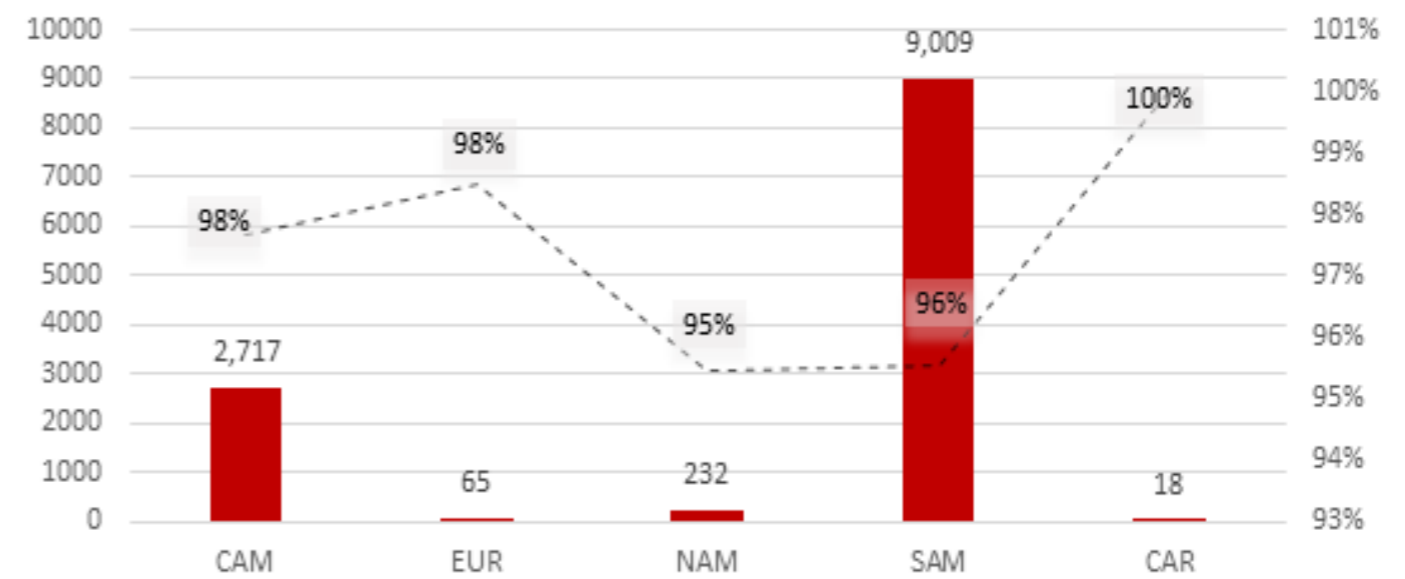
We communicated the updates of the Anti-corruption Policy to our **Board of Directors**. This governance body is responsible for approving policies related to the topic of prevention of corruption and bribery.

Our subsidiary companies adopted the updates of our Ethics Code, Anti-Corruption Policy and Economic Sanctions Compliance Program.¹⁶

**On average
15,381 employees**

Who were active during 2020, were communicated about our updates of the Anti-corruption Policy by corporate email.

Table 04: Employees with training in anti-corruption policy at the end of 2020, by region



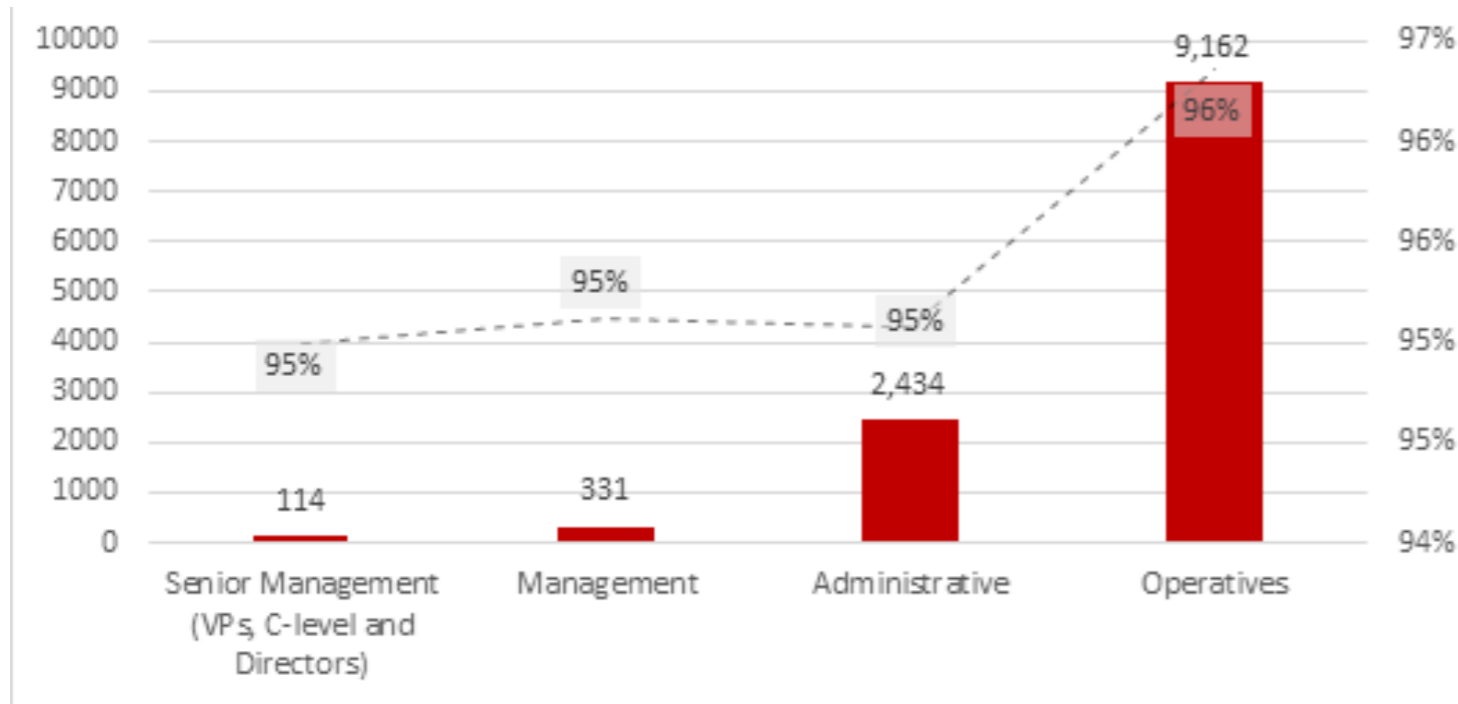
16. LifeMiles will complete the formalization process for the adoption of AVH compliance's policies in 2021.



Training

In 2020, we trained our employees on topics related to anti-corruption:

Table 05: Employees with training in anti-corruption policy at the end of 2020, by position



How did we adapt in 2020?

- We updated our Code of Ethics and Standards of Business Conduct emphasizing so over:
 - Zero tolerance to unsafe, unethical, and criminal acts.
 - Specific guidelines for delivery or receptions of gifts and attentions, established in the Anti-corruption Policy.
 - Including Antitrust chapter.
- We updated our Anti-corruption Policy, with extension in the following chapters:
 - Absolute prohibition of any form of bribery.
 - Gifts, courtesies and/or hospitalities:
 - To Politically Exposed Persons.
 - Giving and receiving gifts, courtesies and hospitalities from contractor, suppliers, or clients.
- We updated our Procedure to Give and Receive Gifts and Contributions to Political Campaigns.
- We monitored the Money Laundering and Terrorist Financing and Corruption controls- ML/TF – CO implemented in five (5) business units in addition to Avianca.
- We had zero (0) issues of bribery or corruption in the monitoring of risk accounting accounts.
- We ended the year with 59 areas that have access to the platform that perform the verifications on binding and restrictive lists to prevent Avianca from engaging in transactions with Restricted Parties.
- We held the Conflicts of Interest Disclosure campaign for the directors and managers¹⁷, including employees of procurement process. In 2021, we will continue with this effort of disclosure, reaching out Board of Directors, C -Level and Vice presidents and employees who were not active in 2020. 72% of active directors and managers developed the disclosure.
- At the end of 2020, 89% of employees of the company have been certified in the Foreign Corrupt Practices Act online training.
- We identified 3,227 alerts related to the risks of money laundering and terrorist financing related to transactions with third parties.
- We held a Politically Exposed Persons - PEPs disclosure session for Board members and managers of Avianca Holdings S.A and its subsidiaries.
- Reports were filed on 973,146 transactions and operations to the Financial Reporting and Analysis Units.

We made progress in the challenges we took in 2019

- We implemented the Economic Sanction Compliance Program.
- In compliance with the Office of Foreign Assets Control - OFAC “50% Rule” we implemented for all new suppliers and corporative clients, the screening of its shareholders with participation equal or greater than five percent (5%) or at least, the information that corresponds to 60% of shareholders participation.
- For suppliers already linked to the company, we screened their shareholders, in compliance with the OFAC “50% Rule” mentioned above (we targeted in 2020 a total of 1,146 suppliers). Additionally, we strengthened the procedure, including the certification of the legal representative which confirms whether they have transactions in embargoed countries.

Future 2021

- In the framework of the Ethics and Compliance Program, continue to strengthen culture in the Company.
- Update the Ethics and Compliance Program according with COSO ERM.
- Update the Policy of Money Laundering and Terrorism Financing Risk System SIPLAFT.
- Carry out the training program for the Code of Ethics, Anti-Corruption Policy, SIPLAFT policy and Economic Sanctions Compliance Program.
- Perform a refresher training to the Board of Directors about the Anticorruption Policy.
- Strengthen the risk monitoring for third parties, improving the screening by automatic integrations.

17. The commitment on our policies for Board of Directors, C -Level and Vice presidents, was unified under one procedure to have one disclosure and acceptance, for Compliance, Legal and Financial purposes. For that reason, the unified procedure will start in January 2021.





11

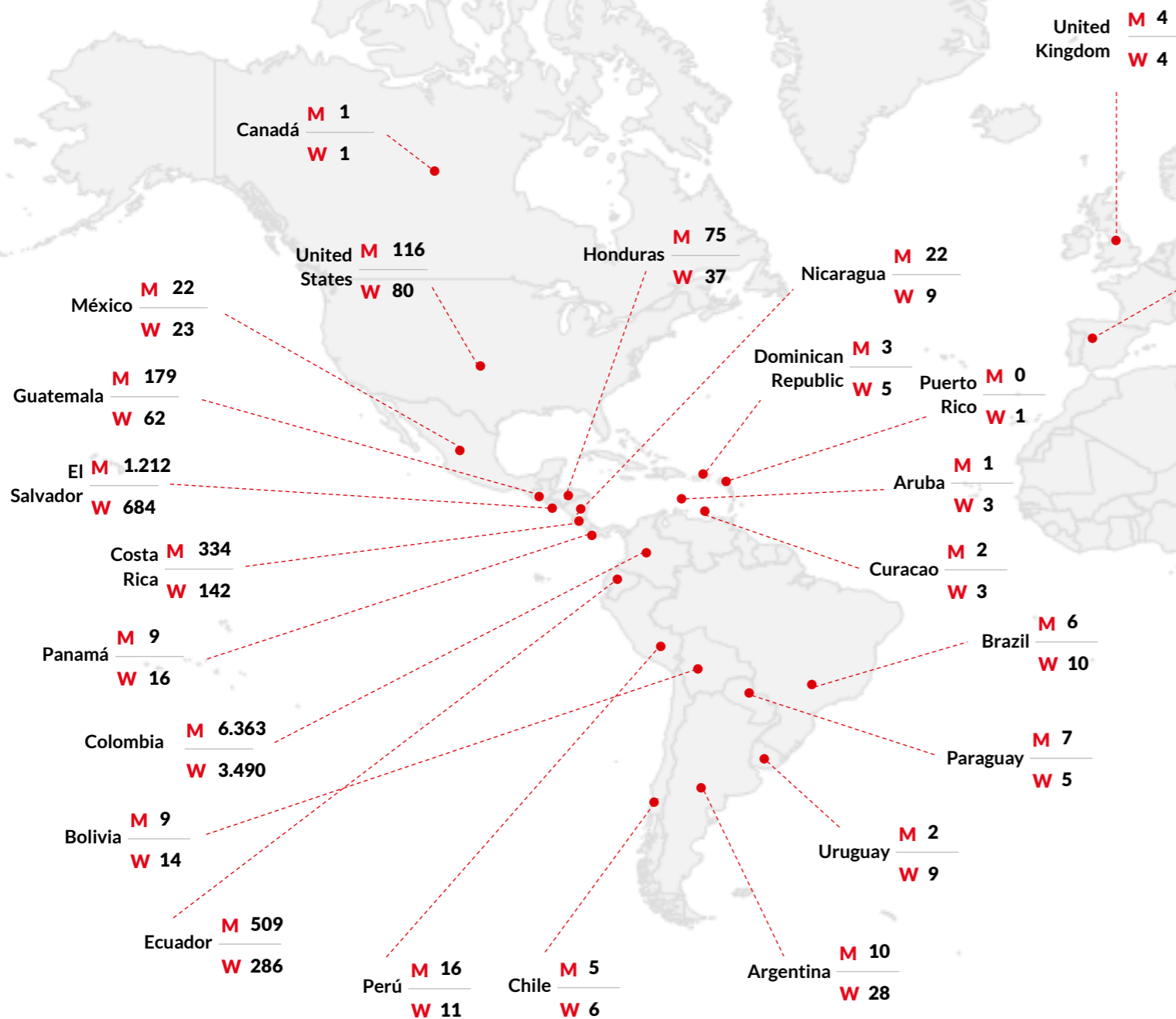
**Comprehensive development
of our employees**

Our Human Talent

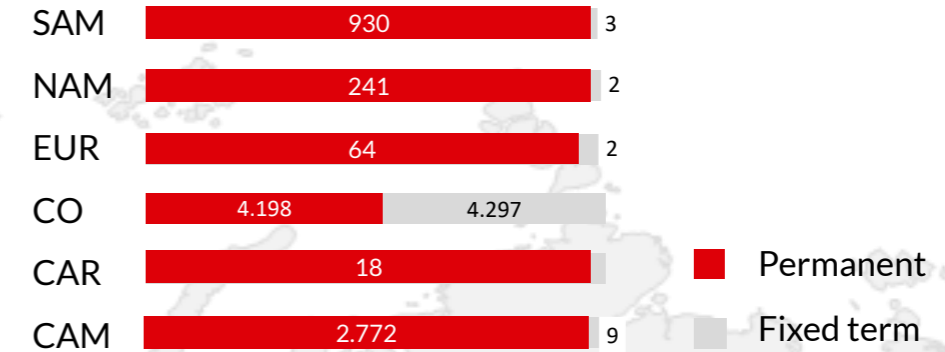
Our people

 **GRI 102-7¹⁸, 102-8^{19,20}**

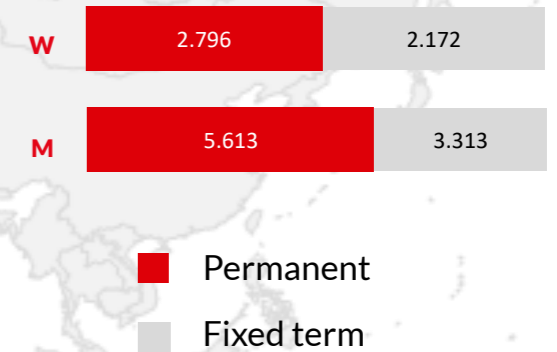
Men		M	64%	8,926
Women		W	36%	4,968
				13,894



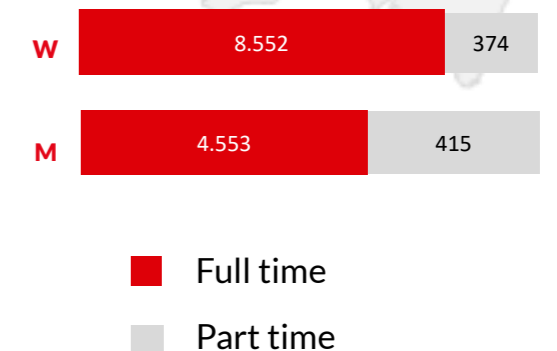
Number of employees broken by región and employment contract in 2020



Number of employees broken down by gender and employment type.



Number of employees broken down by gender and employment contract



18. The total number of employees does not include 485 interns. This graph includes data from SAI, LatinCo and AviancaExpress. Does not include 467 Head Count corresponding of AeroUnión.

19. In 2020, the company did not hire third parties, and consequently no percentage is included in the report for indicator 102-8 indicator.

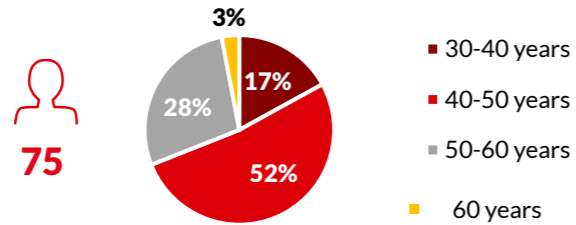
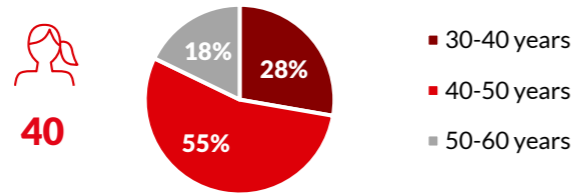
20. The acronyms CAR, SAM, CAM, CO, EUR and NAM refer to the regions of Central America and the Caribbean, South America, Central America, Colombia, Europe and North America, respectively.



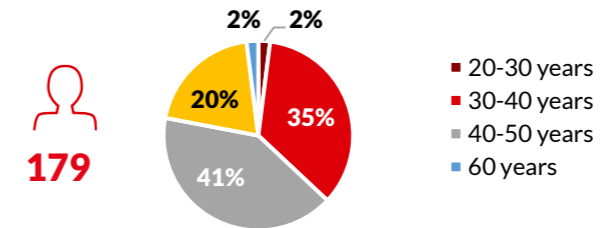
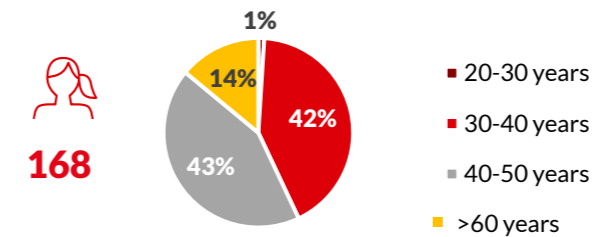
GRI 405-1

Percentage of employees broken down by age, gender and employee category.

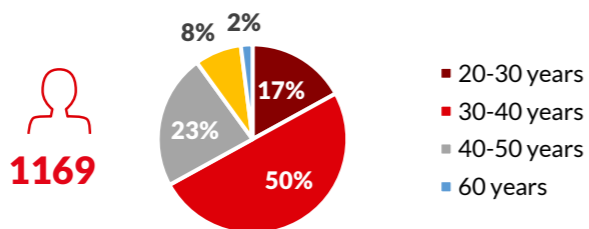
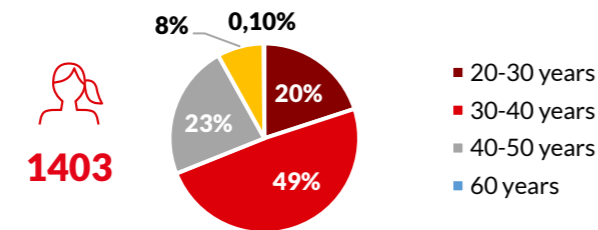
Senior Management



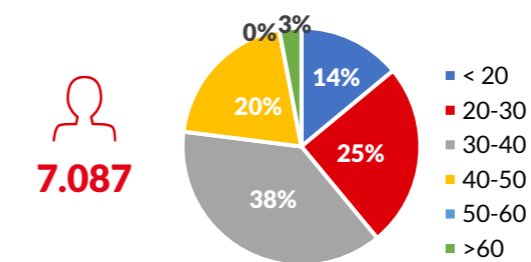
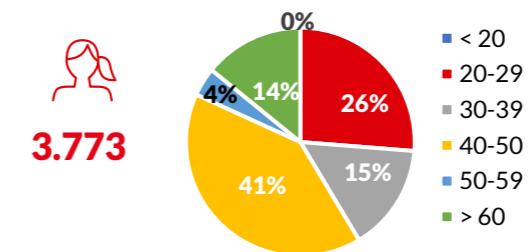
Middle Management



Administrative staff



Operations personnel





Human Talent

We know that we are in an important point in our history, when it is necessary to transform ourselves, seeking to be sustainable for 100 more years. In this way, we intend to innovate and adjust our processes, to lead change and knowledge management by example, providing agile support to all company areas and working towards the same goal: to achieve the corporate objectives and the company's stability.

With this purpose, we have built a new strategic plan, based on attract, develop, care and engage the necessary talent to respond to current and future challenges, searching for people who are highly results-oriented, with strong leadership skills and adaptability.

In 2020, we mapped the company's human talent, with the aim of creating development and succession plans for employees (this process was carried out for critical and key positions of the company). The above contributes to commitment, promotes the growth of our people and guarantees the best talent in the company's key positions.

Additionally, we created a plan to face this year's challenges, providing employees with tools to prepare them for the new reality, generating new behaviors that leverage achievement of the Corporate and personal goals. To achieve the above, we have created different activities:

Work fronts	Projects
Skills development	<ul style="list-style-type: none"> We worked on strengthening the critical skills of the leaders and the employees to face the 2020 challenges and reinforce productivity in the ramp up and home office. We provided the company with 300 training mentors and 32 master classes to develop the 4 corporate competencies and the four (4) culture energizers: Autonomy, agility, security and care.
Communications strategy	<ul style="list-style-type: none"> We adopted new tactics of communication, where the main focus is to minimize the uncertainty of the employees, and to answer the employee's doubts. We Care is the microsite design to offer tools and material for the care of the employees and their families during the COVID-19 pandemic. We built a guide with tips and micro videos for our leaders to promote the care of their teams. We have generated communications through the different internal channels (email, Yammer, webinars), aimed at keeping employees informed about the strategies and actions of the transformation plan.
Care and Safety	<ul style="list-style-type: none"> We implemented the Corona Risk app to monitor our employees' COVID-19 symptoms. Culture and Human factors survey were designed to measure the safety perception of our people. We achieved alliances with many companies to ensure our employees and their family's income.

In order to achieve the organization's planned objectives, within a culture of leadership and adaptability, we managed our talent through the following core processes:

- Attraction and retention
- Employee training and development
- Social dialog
- Industrial safety and occupational health

How did we adapt in 2020?

- Adaptability, agility and collaboration were the main focus for this year's challenges, this allowed us to reach new destinations and a new way to work.
- We designed new Biosafety protocols to ensure our people safety in all our workplaces.
- We aligned the culture model with Avianca Express. .
- We adjusted the corporate structure to meet the business' needs.

Our future 2021

- . Align all initiatives of the company's plan and monitor them.
- Develop a new culture based on the new corporate strategic north.
- Sizing of the company according to operation and demand needs.
- Develop an agile and flexible performance model for the short and long-term objectives.

How we made progress in the challenges we took on 2019

- The challenges we took on 2019 were changed to face the COVID-19 pandemic requirements, so we could ensure the talent that the company needs to overcome present and future challenges.



Attraction and retention of our Human Talent

Our management is focused on attracting, engaging, and developing the best talent from within our company and the industry, aligned with the organizational purpose and with our culture. We do it through an empathetic, agile, and high-quality process, guaranteeing unique and memorable experiences from the first contact.

Attract, develop, nurture and engage the talent needed to meet the current and future challenges.

We have put our applicants and leaders at the heart of our talent attraction strategy, to listen to their voices as customers and identify the service attributes they expect to receive during our selection processes.

To achieve the above, we have a General Talent Attraction Policy that describes the attraction process, its scope, the areas involved and responsible, and the recruitment policies. We also have the Employee Contracting Procedure, which establishes the timetable of the selection process for job vacancies, identifying the phases of the cycle and the people responsible.

We have job posting site
https://jobs.avianca.com/?locale=en_US
where we publish all open positions and where all those interested
can apply to the vacancies online.



2020 has challenged us to reinvent ourselves as a company and to change the way we do things to meet each of the challenges that the COVID-19 pandemic brought. It has also called us to rethink our talent search strategy to align it with the organization's new needs, which led to us develop the following activities:

- 1** More agile and innovative selection processes: to facilitate the candidate's participation in assessment, interviews, and virtual case studies, by means of technological tools and virtual platforms.
- 2** Social recruiting: to give greater visibility to the company's job offers and employer brand, using social media (Facebook, Instagram, twitter, LinkedIn) to reach the best candidates in the market and to create greater proximity to them.
- 3** To guarantee an incredible experience for the candidates in each of the interactions they have throughout the selection process, by combining the technological and human resources.
- 4** Create alliances with other companies in order to exchange talent and cover vacancies in less time
- 5** We increased vacancies filled with internal staff.

We assist the new hires in the design of the development plan to close the gaps identified during the selection process, for them to be ready to fill future vacancies.

We are aware that a latent risk in the processes we develop is that applicants do not fit the profile or have the skills required for the jobs. As a result, we implemented a Skills Workshop to train leaders on the Talent Attraction Process, with the aim of explaining the different stages of the process and their roles in each stage, and to train them on interview techniques.

Our performance is assessed through:



The Net Promoter Score (NPS) survey, which measures the satisfaction of our leaders and applicants.



Focus groups and bimonthly service calls to our shortlisted candidates to hear about their experience during the selection process.



Regular audits to validate that the process was correctly documented in the system.



Weekly meetings with the team to report changes and align the process.



Identified external successors for 100% of the critical positions.



The fulfillment of 70% of the critical position vacancies with successors, Top Talent or Emergent Talent.

 **GRI 401-1**



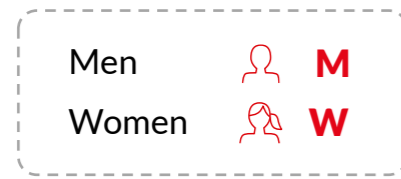
Number of new hires in 2020 broken down by region, age, and gender.

		CAM	CAR	CO	EUR	NAM	SAM
<20 years	W	2	0	1	0	0	0
	M	0	0	0	0	0	0
20-30 years	W	17	0	99	0	1	5
	M	25	0	265	0	5	6
30-40 years	W	13	0	49	1	3	4
	W	17	0	159	0	4	8
40-50 years	W	0	0	10	0	4	0
	M	5	0	37	0	1	1
50-60 years	W	0	0	0	0	1	0
	M	0	0	23	0	0	0
>60 years	W	0	0	0	0	0	0
	M	0	0	0	0	1	0

Percentage of new hires in 2020 broken down by region, age and gender

		CAM	CAR	CO	EUR	NAM	SAM
<20 years	W	200%	0%	100%	0%	0%	0%
	M	0%	0%	0%	0%	0%	0%
20-30 years	W	8%	0%	10%	0%	25%	6%
	M	7%	0%	19%	0%	50%	4%
30-40 years	W	3%	0%	3%	8%	8%	2%
	M	2%	0%	6%	0%	15%	3%
40-50 years	W	0%	0%	1%	0%	10%	0%
	M	1%	0%	3%	0%	2%	1%
50-60 years	W	0%	0%	0%	0%	5%	0%
	M	0%	0%	3%	0%	0%	0%
>60 years	W	0%	0%	0%	0%	0%	0%
	M	0%	0%	0%	0%	7%	0%

 **GRI 401-1**



**Withdrawals
in 2020²¹**

		CAM	CAR	CO	EUR	NAM	SAM
<20 years	W	1	0	0	0	0	0
	M	0	0	0	0	0	0
20-30 years	W	105	0	602	0	0	94
	M	246	0	635	0	5	101
30-40 years	W	174	3	483	0	11	282
	M	300	0	716	2	11	354
40-50 years	W	54	1	163	2	12	138
	M	138	2	248	2	11	221
50-60 years	W	17	2	58	1	14	40
	M	85	5	97	0	11	110
>60 years	W	1	1	10	0	3	10
	M	45	2	72	0	8	43

**Turnover rate
broken down by age
and gender**

		CAM	CAR	CO	EUR	NAM	SAM
<20 years	W	200%	0%	0%	0%	0%	0%
	M	0%	0%	0%	0%	0%	0%
20-30 years	W	41%	0%	48%	0%	0%	78%
	M	51%	0%	36%	0%	50%	54%
30-40 years	W	31%	32%	26%	0%	25%	93%
	M	33%	0%	23%	33%	36%	83%
40-50 years	W	25%	40%	20%	10%	28%	94%
	M	28%	67%	15%	17%	19%	105%
50-60 years	W	26%	100%	21%	8%	55%	82%
	M	30%	100%	11%	0%	28%	109%
>60 years	W	20%	100%	71%	0%	86%	111%
	M	65%	100%	38%	0%	46%	132%

21. In 2020, the company did not hire third parties, and consequently no percentage is included in the report of 102-8 indicator.



Total turnover rate: (33.7%)

This turnover rate presents an increase in consequence of the COVID-19 pandemic, as the company adjusted the structure to reflect current and future operational needs, ensuring long-term sustainability. This caused the reduction of the personnel structure in several countries, causing an increase in the general turnover to 33.7% per year.

This increase also reflects the closure of Avianca Peru, which represents 6.8% of the total turnover.



Own indicator: Engagement survey results



Thanks to the work carried out in the five (5) dimensions of the approach: leadership, teamwork, recognition, career opportunities and senior management, our commitment index score was 83%. There were 14,595 participants in the survey, equivalent to 91% of our staff. The results obtained indicate that our employees' level of commitment remains similar to 2019, and that we are 12 percentage points above the industry. The following are some of the most noteworthy results reported by our people:

- They would not hesitate to recommend Avianca to a friend who is looking for a job and they would tell other people about the advantages of working here.
- They would need an extraordinary reason to leave the company.
- Avianca inspires them to give their all at work every day and they are motivated to give more than what is usually required of them.



Employee remuneration and benefits



GRI 102-36, 102-37

One of our key management objectives is to promote the full development and well-being of our employees to attract and retain the best talent. In this way, we recognize our employees' commitment and dedication by providing the best benefits and always striving to be competitive in the job market.

The Compensation Policy for Avianca Holdings' employees establishes the guidelines for total compensation management, aligned with our strategy, culture and values. We also have in place a job assessment methodology, an emotional salary program and a salary management tool (Success Factors), which help strengthen a culture of well-being and balance among our employees, with a positive impact on their productivity and commitment to the company.

Our compensation model defined a General Remuneration Policy, which aims to attract, develop, and engage our people through three (3) fronts:

- Fixed compensation: Through the job assessment methodology, we defined the compensation policy by salary band. For this, we consider market studies and external references, aiming to guarantee a framework of equity and competitiveness.
- Variable compensation: We have remuneration programs that depend on the individual and group results of our workforce.
- Quality-of-life management programs and benefits: Implementation of emotional salary programs, such as home office, flextime, and reduced hours on Fridays, which are elements that contribute to our people's quality of life and happiness.

We know that risks may arise associated with our compensation management process, such as high turnover, low attraction of talent and inequity within the organization. These impacts are identified jointly with our stakeholders (leaders, external consultants, and trade union groups) through ongoing monitoring. Consequently, we implement different projects to address these risks and strengthen our strategy:

- Participation in salary surveys and benchmarking with external consultants to understand the market and ensure our competitiveness.
- Analysis of the retreat surveys, where we can identify whether employee turnover is related to remuneration.
- Internal analysis of equity through the salary penetration indicator, to mitigate salary gaps between similar positions or roles.



How do we assign salaries?

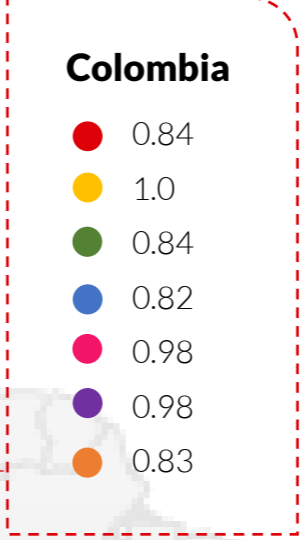
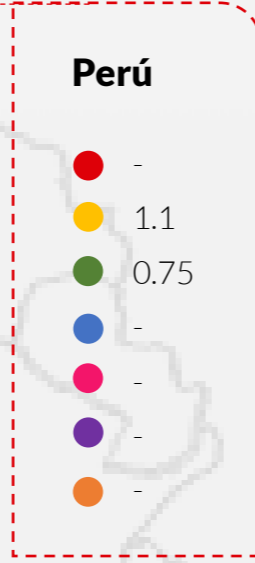
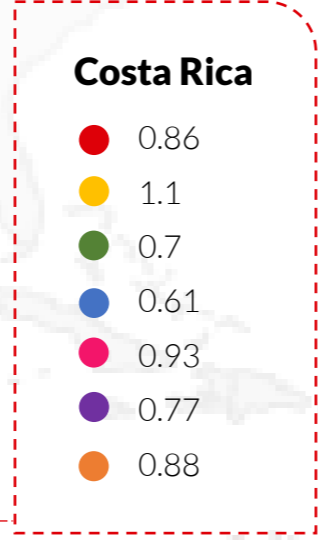
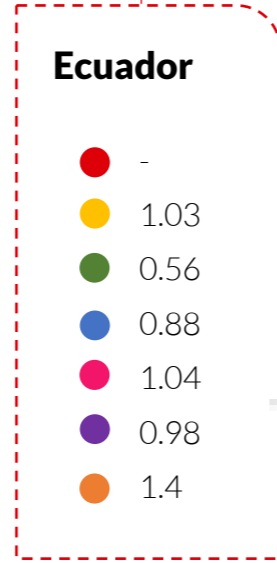
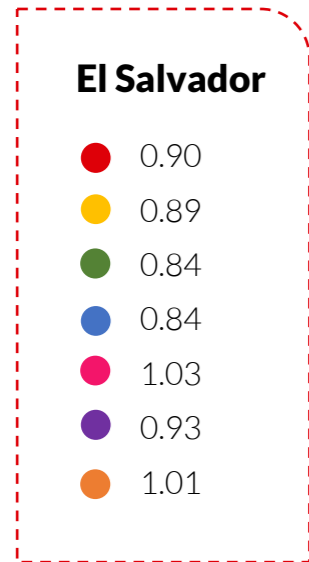
A prior requirement for defining the salary of a position is to have a documented job description. The positions are assessed in order to remunerate them in accordance with their responsibilities, results, problem-solving and skills, in order to maintain a balance between market value and Company value. Additionally, we check and seek advice regarding remuneration trends and methodologies of top companies.

With the aim to ensure competitiveness, we periodically acquire the applicable market salary scales for each country or region, and we update the internal compensation studies. The purpose of the above is to identify any required salary adjustments and measure the company's salary position compared to the market.



GRI 405-2

Ratio of basic salary and remuneration of women to men



The Avianca Compensation and Benefits Policy aims to be competitive and fair, with no barriers of gender, race, religion, or any other individual characteristic. This policy is designed to recognize the impact and creation of value that each position has within the organization. This indicator has remained stable compared to last year band and indicates that there are no significant differences in compensation between women and men.

**GRI 401-2**

In addition to salary remuneration, our employees have the following benefits:

Benefit	Full time	Operations covered by the benefit				
		Colombia	El Salvador	Peru	Ecuador	Costa Rica
Life insurance To cover our employees in difficult situations the company grants a life insurance policy.	✓	✓	✓	✓	✓	✓
Medical assistance By means of voluntary plans, we negotiated coverage and special prices with different insurance companies, and payment is shared between the company and the employee.	✓	✓	✓	✓	✓	✓
Disability And invalidity coverage Coverage for employees in the event of disability and invalidity through life insurance.	✓	✓	x	✓	x	x
Parental leave As stipulated by law, the company grants parental leaves as paid leave or days off.	✓	✓	✓	✓	✓	✓
Staff travel tickets Staff directly hired by the company is entitled to the Holding company's current tickets benefit policy.	✓	✓	✓	✓	✓	✓
Healthcare By means of voluntary policies, a percentage of payment or stipend for payments of insurance premiums are granted to employees that wish to receive this benefit.	✓	✓	✓	✓	✓	x
Voluntary insurable or loss of license policies By means of voluntary policies, a percentage of payment or stipend for payments of insurance premiums are granted to employees who wish to receive this benefit.	✓	✓	x	✓	x	x
Education benefit A stipend is granted to pay the costs related to studies or certificates for educational qualifications.	✓	✓	✓	✓	✓	✓

How did we adapt in 2020?

- One of our biggest achievements is having all our selection and assessment processes completely virtual and more agile, maintaining quality and closeness with all candidates in all stages of the process.
- We were able to close 1,059 vacancies with the best internal and external talent, despite the hard moment the industry is currently in.
- We started using Talent Mapping as input for our selection processes where the main candidates are HIPOTs.
- We incremented our Internal Fill Rate in 15 points; from 22% at 2019 to 37% at 2020.
- We transformed ourselves to accompany, advise and support our operation staff that were in risk of contagion.
- We assisted former employees in their outplacement processes, through workshops and consultancies in subjects like entrepreneurship, personal brand, and employability. Moreover, we are committed to re-engage former workers when there are new positions related to their profile.
- We achieved temporary agreements with unions about total compensation achieving efficiency in labor costs.

Our future 2021

- Strengthen the employer brand concept inside the company, understanding it as an incredible place to work, and becoming ambassadors and promoters that are passionate about our culture and values.
- Advise and create the individual development plan, helped by our leaders, to new employees and internal movements, achieving their growth, development, and leveraging their abilities and competencies according to their professional and personal purpose in Avianca.
- Identify external successors to critical positions so we can anticipate to our needs in an ever-changing context in both the organization and the industry.
- Strengthen the positioning of the process and compensation management with the leaders.
- Attract and retain the best talent of the region through total Rewards.
- Continue to put effort in the following strategies that we worked in the first quarter of 2020 and were suddenly halted because of the contingency.

How we made progress in the challenges we took on 2019

- All the attraction 2019 initiatives were halted because of the COVID-19 pandemic, we could not continue with our trainees' program and we are going to continue with it in 2021.
- The communication program transformed during 2020, and it was focused to our current employees, ensuring that the relevant information reached every one of them.
- Most of the rankings we used to participate were cancelled, and we look forward keeping or improving our ranking in the Young people's dream career. In 2020 we reached 4th place in the Universum Survey, where students from 59 Colombian universities ranked the ideal employer to start their career.



Talent development and training

The training and development processes are very important for Avianca as they contribute to the employees' personal and professional development, improving their skills, attitudes, and knowledge. Likewise, these help us to improve the present and to plan a better future. This is achieved through tools that enable us to develop our employees' great potential to reach strategic objectives and goals.

These processes are divided in the different training areas related to each operational population. These areas ensure that they meet aviation regulations, industry standards and the company's safety policies as a requisite to implement the functions of each position in the company. Therefore, focuses on training in corporate competencies defined by the company.



Tools:

- LMS: Learning Management System for the administration of online training for all employees.
- Collaborate, Teams and Skype (Virtual training purposes).
- AMOS: Training management for maintenance staff.
- MINT: Training management for flight staff (pilots, assistants, and dispatchers)

In response to the requirements of taking care of people in pandemic time, face-to-face learning was reduced by 90%.

Processes:

- Innovation, strategy and content Planning
- Resource assurance and management
- Implementation and certification
- Control and verification



Monitoring:

- Monthly committees with the Vice Presidency and management committees
- Internal and external audits

These tools enable the centralization and standardization of all regulated and unregulated programs for each group. Likewise, they maintain the records and supporting documents of schedules and implementation for control through reports and indicators, monitoring their effectiveness.

We are aware that risks can arise, such as the decentralization of information, lack of control of online and in-person training expirations, manual procedures that generate reprocessing and the failure to update programs. For that reason, we offered open and voluntary online programs focused on operational topics, likewise, corporate programs to keep the connection between all the employees and the company:

- We digitalized different training processes and formats.
- We used the Intranet as the main communication tool during the pandemic situation, publishing all the relevant information for the people.

In 2020, we offered the following training programs to our employees:

 **GRI 404-2**

Program	Description	Scope
We Care	<p>We care is a strategy to connect and learn through open learning sources in a voluntary manner. We send weekly newsletters with recommended content. Between April and December of 2020, we have had 37 editions.</p> <p>One of the main initiatives under this strategy is called People Master Classes. These consist in synchronic virtual classes with experts in the different corporate competences. We have held over 33 sessions.</p>	All employees
Master Classes Aviation	<p>This training strategy aims to familiarize all employees with the different processes that are involved in the operation and other supporting areas.</p>	All employees
Outplacement Training	<p>These sessions were meant to share good outplacement practices for employees that left the company. They would discuss how to optimize your LinkedIn profile how to start and improve their own business among other subjects.</p>	Retired Staff



Own indicator:

Hours of training in the leadership program (in-person and online)

Offering opportunities for learning, growth, and development is essential to what we do. That is why the People Master Classes strategy is extremely important as we aimed to have an open learning experience in a voluntary format, strengthening the corporate competencies, despite the distance, remote work and inactivity.

Type of position	Hours of training	Number of employees trained
Senior Management (VPs and directors)	33	51
Middle Management (managers)	33	163
Administrative staff	33	1,335
Operations personnel	33	898
Total	132	2,447

Training satisfaction survey

We measured the participants' level of satisfaction with the ground training of pilots, cabin crew, flight dispatchers, airports, ground crew, maintenance, and corporate training in the Holding company. The satisfaction rate in 2020 was 95.5%.

Training Avianca

We measured the participants' level of satisfaction with the ground training of pilots, cabin crew, flight dispatchers, airports, ground crew, maintenance, and corporate training in the Holding company.



Our target audience:

- Flight crew (pilots, cabin crew and dispatchers)
- Airports and ground crew (ramp, cargo and hazardous goods)
- Maintenance personnel (technicians, engineers and workshops)



Own indicator:

Training areas (Avianca Academy before), own and third-party training programs*

Type of position	Number of employees trained	Program Hours
Dispatch	154	9,856
Maintenance	2,933	70,171
Pilots	1,562	74,976
Ground	2,650	63,600
Cabin crew	1,366	54,640
Total	8,665	273,243

*Does not include SAI

How did we adapt in 2020?

- The challenges of the pandemic, confinement, the great impact on the aeronautical sector and remote work, led us to focus more on remote learning and taking care of our people; using digital tools to maintain the process of learning.
- We broadened our training offer, supported in various technologies.
- We widened our virtual trainings to instructors for Pilots.
- We kept the alliance with SENA (Servicio Educativo Nacional de Aprendizaje - in English, National Learning in Educational Services), expanding their learning capacity in terms of learning.
- This year we changed the way to administrate the training. Now, each area has the responsibility to train their corresponding employees.
- Due to the impact of COVID-19 in the aeronautical sector, a large percentage of employees were on unpaid license or with their contract suspended for several months of the year. Thus, the trainings were implemented virtually.

How we made progress in the challenges we took on 2019

We optimized the virtual enrollment and changed the way to execute the training with quality.

Our future 2021

- Learning and training: Strengthen people's competencies and abilities, specifically Leadership, Adaptability, Collaboration and Service.
- Implement the Kirkpatrick model to measure the impact of the training programs.
- Senior Management (VPs and directors) as sponsors of the learning initiatives.
- Our trainings will be 90% virtual. This will reduce the cost of travel and expenses between the countries where the training was performed. Due to the COVID-19 pandemic, there was a great impulse in virtual training.



Performance of our human talent

In 2020, it was planned to continue reinforcing the High-Performance culture, focused on generating a greater alignment from individual objectives to the strategic objectives of the Balance Scorecard and its FOCUS strategy (Financial, Operation, Customer, Us, Safety). This alignment would be achieved through the creation of a library of objectives that would gather the main FOCUS indicators, which would serve as a reference for the creation of individual and team objectives.

Likewise, it was contemplated to give relevance to financial metrics, where senior executives would define at least one (1) indicator that would point to compliance with the budget, establishing a monthly incentive payment campaign for compliance with the OTP operational indicator. In this way, we achieved to measure, reach and pay the months of January and February.

On the other hand, as part of the recognition of the excellent results, the scope of the payment of a variable compensation tied to performance results was extended to 100% of the employees, this with the aim to generate an incentive to positive compliance with the goals set at all levels of the organization.



GRI 404-3

However, with the COVID-19 pandemic, plans to run a performance evaluation by 2020 were halted. As the operation stopped and many employees decided to go on unpaid leave, there would be no operational, financial or customer metrics to measure and few employees to evaluate. Efforts were made to the rapid recovery and to keep the organization safe once the operation returned.

How did we adapt in 2020?

The COVID-19 pandemic brought us learnings in the way of defining objectives that will be implemented in 2021. The definition of objectives and goals must be agile and short-term (three months), the objectives must be flexible and that will allow us to redirect our actions quickly and rejoin the continuous changes. Empowered and autonomous teams are essential to acquire this agility, teamwork must be reinforced through objectives or goals guided by a powerful common purpose of co-creating value for all stakeholders. Leadership becomes relevant to carry out ongoing coaching-type conversations that develop, guide and accompany.

How we made progress in the challenges we took on 2019

- In 2019, a greater alignment of corporate results and employee objectives was achieved.
- The scope of performance measurement was extended to operational areas, all sharing team and corporate objectives.
- Leaders were developed in coach-like performance conversations to improve One to One spaces.
- Operational areas began to hold one-to-one conversations.
- The SAP tool allows continuous monitoring, feedback 360° and recognition for the results achieved



Global compact

At Avianca, we promote the development and integral well-being of our employees. We work on consolidating an inclusive and diverse work culture through a management system that respects and guarantees human rights and good labor practices.

We aim to build relationships of trust with our employees, and the trade unions or employee associations that represent them, through transparent, close, and assertive communication. To this effect, we have established our Labor Relations Strategy, which is implemented through social dialog with the aim of minimizing labor risks and ensuring adequate workforce management.

Our guiding principles regarding our employees are demonstrated in our respect for:



The eight (8) fundamental conventions and the green job principle International Labor Organization (ILO).



The commitments we have voluntarily acquired through the United Nations Global Compact.



United Nations Sustainable Development Goal No. 8.



Labor law applicable in Colombia and in the countries where we operate.



The fundamental rights contained in the Colombian Constitution and in the laws of the countries where we operate.



The best labor practice indicators included in the Dow Jones Sustainability Index (DJSI).



Committees for continuous dialog with unions or workers' associations

With the aim of creating channels for continuous dialog with our employees' representatives, we hold strategic meetings which generate initiatives that promote the well-being, labor conditions and organizational culture of Avianca.

In 2020, we carried out the following meetings with the trade unions:

Colombia	<p>Number of meetings/roundtables:</p> <ul style="list-style-type: none"> • Association of Pilots of Avianca (ADPA): 60 • Organization of Aviators of Avianca (ODEAA): 52 • The Colombian Association of Civil Aviators (ACDAC): 46 • The Colombian Association of Flight Attendants and other industrial workers in the Colombian aviation sector (ACAV) 25 • National Union of workers of Avianca (SINTRAVA)/ the National Union of Aircraft Industry (SINDITRA):15
Mexico	<p>Number of meetings/roundtables:</p> <ul style="list-style-type: none"> • National Union of Workers of Transport, Transformation, Aviation, Services and Similar (SNTTTASS): 10
Argentina	<p>Number of meetings/roundtables:</p> <ul style="list-style-type: none"> • Association of Aeronautical Staff (APA): 20

Continuity of collective bargaining according to the established timetables at Avianca Holdings' companies.

The following is the current status of collective bargaining with the unions and workers' associations of Avianca Holdings:

Colombia:

In Colombia, Avianca S.A. has the following unions and agreements:

Workers' organization	Term of the collective agreement in force
<ul style="list-style-type: none"> • The Colombian Association of Flight Attendants and other industrial workers in the Colombian aviation sector (ACAV). 	<ul style="list-style-type: none"> • Withdrawal of list of petitions in October 2020
<ul style="list-style-type: none"> • The Colombian Association of Civil Aviators (ACDAC). 	<ul style="list-style-type: none"> • Arbitration award in force.
<ul style="list-style-type: none"> • The Colombian Association of Aircraft Mechanics (ACMA). 	<ul style="list-style-type: none"> • 30/06/2020 Automatic renewal of the collective agreement
<ul style="list-style-type: none"> • Organization of Aviators of Avianca (ODEAA). 	<ul style="list-style-type: none"> • Collective agreement in force from April 1, 2017 to March 31, 2020 • The association requested an extension of the agreement
<ul style="list-style-type: none"> • The National Union of Aircraft Industry Workers (SINDITRA). 	<ul style="list-style-type: none"> • Collective bargaining agreement in force from 01/07/2015 to 01/07/2020 • The union requested an extension of the collective agreement for 6 months (31/12/2020)
<ul style="list-style-type: none"> • The Colombian Union of Air Transportation Workers services, logistics and related (SINTRATAC). 	<ul style="list-style-type: none"> • There is no collective agreement in force. They did not submit a list of demands in 2020.



National Union of workers of Avianca (SINTRAVA). Collective bargaining agreement in force from 01/07/2015 to 01/07/2020
The union requested an extension of the collective agreement for 6 months (31/12/2020)

Association of Pilots of Avianca (ADPA). There is no collective agreement in force. The union submitted list of demands in July, 2020 and the parties agreed to start the negotiation in February 2021.

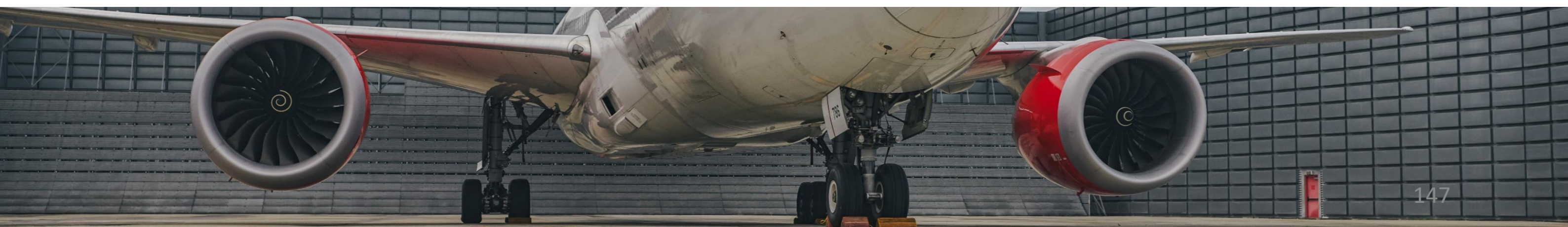
The National Union of workers of the of Aircraft Industry and complementary services (SINTRAEREOS). In March 2019, collective bargaining was resumed between the SINTRAEREOS trade union and AVIANCA S.A., which is currently pending summons from the arbitration tribunal.

National Association of workers of the of Aircraft Industry and Airport Services (ANTSA). There is no collective agreement in force. They submitted a list of demands on September 23, 2020

SINTRAAVIANCA There is no collective agreement in force. The union submitted a list of demands on September 23, 2020.

In Colombia, the Tampa Cargo S.A.S. company has the following trade unions:

Workers' organization	Term of the collective agreement in force
Association of Tampa Cargo Workers (Asotratampa).	Collective agreement in force until August 2, 2021.
The Colombian Association of Civil Aviators (ACDAC).	In December 2019, talks began between ACDAC and TAMPA CARGO S.A.S., to initiate collective bargaining.
The Colombian Union of Air Transportation Workers services, logistics and related (SINTRATAC).	There is no collective agreement.
The National Union of Aircraft Industry Workers (SINDITRA).	There is no collective agreement.





The pandemic caused by the COVID-19 generated a global crisis in the aviation sector, which has had an impact on Avianca's finances during 2020. The gradual recovery of the aviation industry prompted us to face new challenges; therefore, Avianca in the constant search for long-term structural solutions focused to overcome the financial effects of the pandemic and working towards the consolidation of a more productive and competitive Company, we reached agreements to adjust extralegal benefits with the following unions:

Union/ Association	Agreements	Expiration Date	Date of renegotiation
ACDAC- AV	Agreement on temporary adjustment of extra-legal benefits signed on October 27, 2020.	December 31, 2024	January 1st, 2025
ODEAA	Agreement on temporary adjustment of extra-legal benefits signed on November 25, 2020.	December 31, 2024	January 1st, 2025
ADPA	Agreement on temporary adjustment of extra-legal benefits signed on November 25, 2020.	December 31, 2024	January 1st, 2025
ACAV	Agreement on temporary adjustment of extra-legal benefits signed on December 02, 2020.	December 31, 2024	January 1st, 2025
ACMA	Collective Agreement until 31 December, 2020	Pending negotiations to adjust extra-legal benefits	To be defined at the end of the current negotiation
SINDITRA	Collective Agreement until 31 December, 2020	Pending negotiations to adjust extra-legal	To be defined at the end of the current negotiation
SINTRAVA	Collective Agreement until 31 December, 2020	Pending negotiations to adjust extra-legal	To be defined at the end of the current negotiation



Mexico

In Mexico, TACA de México S.A. has the following trade unions and collective bargaining agreements:

Trade union	Term of the agreement in force
SNTTTASS National Workers Union of Transport, Transformation, Aviation, Services and Similar	January 1, 2019 to December 31, 2020
Association First of May	June 1, 2019, to June 1, 2020.

Argentina

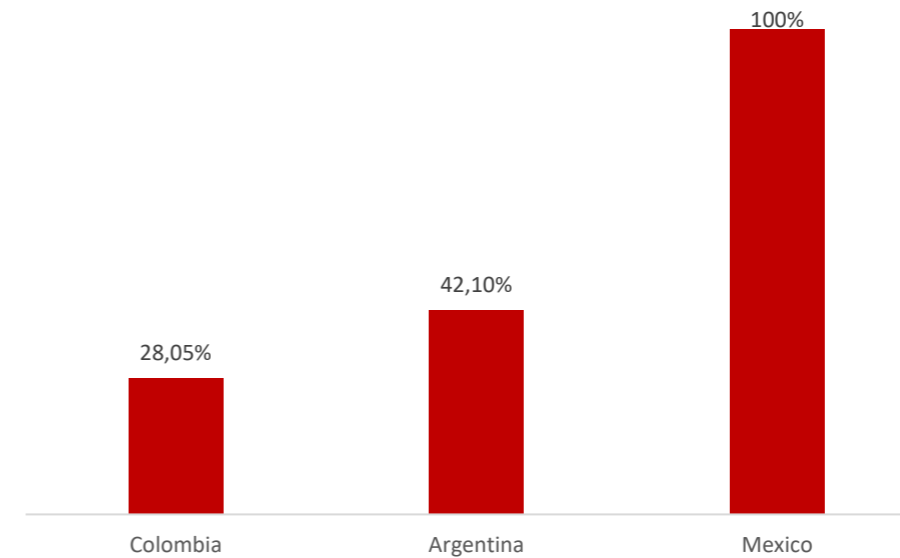
In Argentina, Trans American Airlines S.A. maintains relations with UPADEP and APA, as follows:

Trade union	Term of the agreement in force
Union Air Navigation Staff of Private Entities- (UPADEP)	Since July 11, 1975.
Aeronautical personnel association (APA)	There is no agreement in force. According to local legislation, the industry is governed by the collective agreement in force with UPADEP.



GRI 102-41

Employees covered by the collective bargaining agreements



All the collective agreements signed by our company and the workers' associations disclose the terms and provisions for inquiry and bargaining. Likewise, 16.4% of our employees are covered by the Holding company's collective bargaining agreements, specifically: 2,225 Colombia, 45 Mexico and 16 Argentina.

How did we adapt in 2020?

- We consolidated the social dialog as a way of communicating and interacting with our employees and unions. To this end, we had meetings for collective construction.
- We signed agreements to adjust temporary extra-legal benefits with ACAV, ACDAC, ODEAA and ADPA.
- We signed collective bargaining agreements in Mexico and Chile.
- We supported 70 employees in their transition from their active working life to retirement.
- We implemented the company's efficiency plan which managed the retirement of 3,947 workers with excellence and human sense.
- We defined the Labor Legal Strategy for Contingency Management of COVID-19.
- We managed the Programs of Unpaid leaves.
- We defined a human off boarding strategy, mitigating legal risks to help the company reach the structure that meets the present and future operational needs.
- We redefined the Strategic Framework Litigation in Brazil.

Our future 2021

- Construction of labor relationships based on trust, with transparent and assertive communication.
- Through dialogue, seek the labor flexibility required to adapt to the "new normality" and constant challenges of the aviation industry.
- Resolve disputes by the parties without the need to resort to judicial mechanisms.
- Keep working to strengthen relations with stakeholders, and in this way facilitate the implementation of the Avianca's plan and business strategy.
- Continue supporting the company's operating areas in Colombia, taking into account the signing of the peace agreement and management of the post- conflict situation.
- With our employees, lead the company's efficiency plans with excellence and human sense.
- Continue to empower leaders, especially in the Technical Vice Presidency and Airport Management.
- Design plans for improvement based on legal indicators.
- Within the legal terms, engage in the collective bargaining agreements with:
 - SNTTTASS
 - ODEAA
 - SINTRAVA and SINDITRA
 - ADPA
 - ASOTRATAMPA

Occupational Health and Industrial Safety

For Avianca, safety is a fundamental value and a prerequisite for all our operations. Therefore, we promote a culture of prevention and care ensuring safe and healthy environments for the care of our people and in the same way, contributing to the Company's productivity and competitiveness.

In 2020 we focused our efforts on managing the pandemic by restructuring our Occupational Health and Safety Management System, that required the establishment of effective actions to reduce the probability of transmission and the speed of contagion and, to respond to all governmental requirements.

We have identified different tools and recommendations on health and good practices for individual, family, organizational and social development, seeking to support individual or collective decision-making regarding the necessary adjustments that should be made in the new context of prevention and self-care.

In this way, through our risk-based management approach, we have made progress in achieving the occupational health and safety targets and we have addressed all the needs for the prevention of COVID-19, that involves the following steps:

- 1 Identification:** We identify the biological or psychosocial risks in all population.
- 2 Analysis:** We prioritize the risks according to an assessment of the scales of probability and impact.
- 3 Treatment:** We develop the necessary actions to manage the risks from the perspectives of risk mitigation, elimination or acceptance.
- 4 Monitoring:** We monitor the actions developed and the behavior of the identified risks.

We implemented and verified these steps in four (4) phases

- **Phase 1 (March - April):** identification of COVID- 19 legal requirements and inclusion in the risk management.
- **Phase 2 (May - June):** Design of documents and implementation of biosafety measures.
- **Phase 3 (July - September):** Inclusion of inspection findings in risk analysis.
- **Phase 4 (October - December):** Documents and hazard matrices update with new legal requirements.



In the first phase, the identification and awareness of the risk that results in effective mechanisms of control and formalization of the culture of self-care is required, as it is everyone's responsibility with a community approach. Consideration of risk largely determines the interest in the application of the proposed indications. For this reason, we have evaluated our risks in each of the populations, achieving an acceptable level of risk with specific controls for each area.

We developed the CovidRiskApp, an application for our employees, seeking to control in a timely and early manner the self-report of risk conditions to provide support in the evolutionary process until the subsequent reinstatement, and establishing the respective epidemiological fence.



We also have implemented:

- A documentary scheme to facilitate the application for our employees and for our allied companies with the following structure:

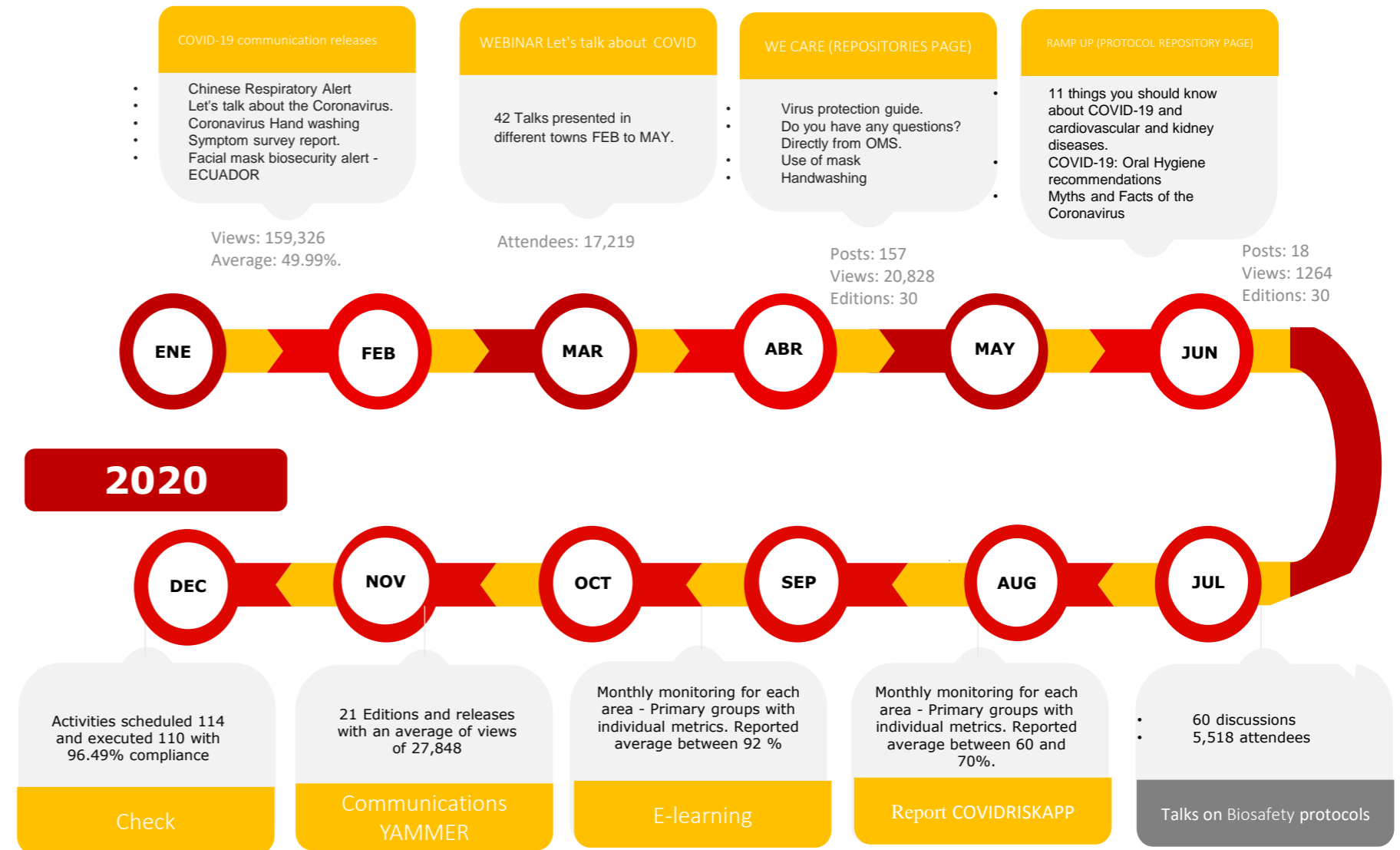


- A Biosafety Manual for the prevention, control, and mitigation of the COVID-19; it is deployed to the regulatory reality of each of the countries where we operate. In this way:
 - We generated (8) eight biosafety protocols specific to each population.
 - We developed (8) eight procedures regarding cleaning and disinfection, safe work and use of personal protection equipment.
 - We generated (1) one epidemiological program specifically for biological risk.
 - We updated the personal protective equipment matrix.

- Control mechanisms that allow monitoring and surveillance of the evolution and implementation of recommendations, as well as the impact on health status and sustainability of processes, leadership and change management. This is an opportunity for continuous improvement, communication and case reporting.
- Collective measures, including those generated in workspaces, which contribute to the protection of workers and their relationship with the work environment through hygiene, cleaning, disinfection, work logistics and media measures.
- An exclusive channel of communication and continuous training, jointly with a specific training process through a mandatory course, for the health care of the human being we developed an e-Learning course for 100% of our workforce that generates support and training evidence on the most relevant topics of COVID-19.

If we take care of our human talent, it is easier to take care of our clients. The construction of a safe operation is transmitted to our passengers through a trust message based on responsibility, sustainability and good practices.

To ensure the implementation of the defined measures, we established a work plan for 2020 as follows:



Safe and healthy work environments for our human talent

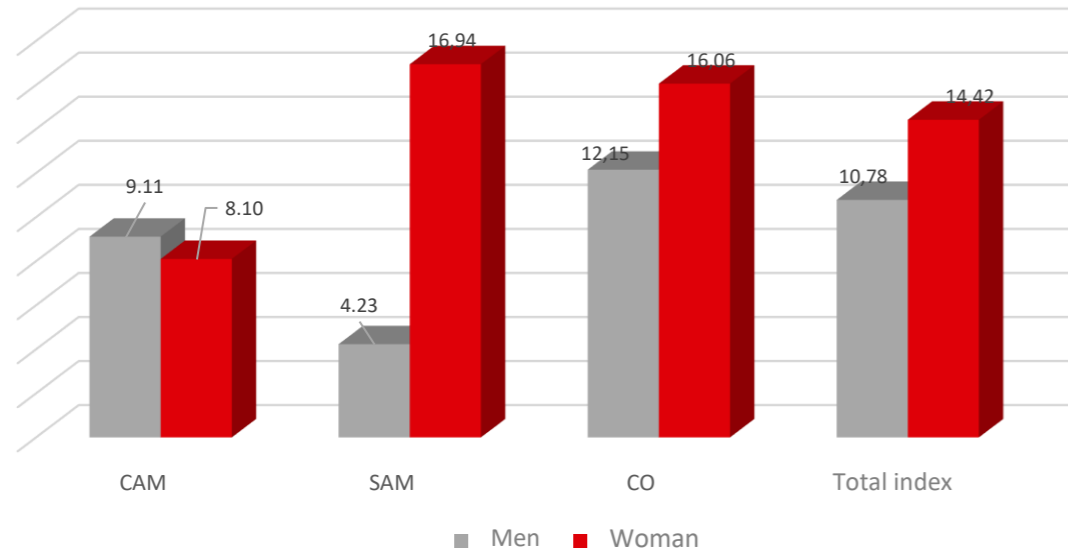
We manage industrial safety and occupational health risks to provide well-being to our human talent through the generation of safe and healthy work environments, so they can develop their activities in the best conditions. To this end, we strengthen our management in the different fronts to prevent occupational diseases and work accidents, and to promote healthy lifestyles among employees.



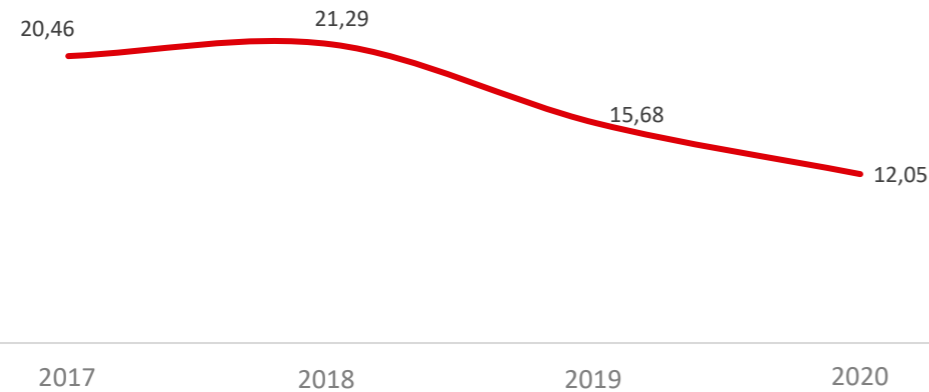
GRI 403-2; Own indicator: Absenteeism and accident rate of the Holding company's direct employees

This indicator includes the following countries: Colombia, Peru, Ecuador, El Salvador, Costa Rica, Guatemala and Honduras. All reported work accidents are included, regardless of their severity.

Frequency Rate of work accidents²²

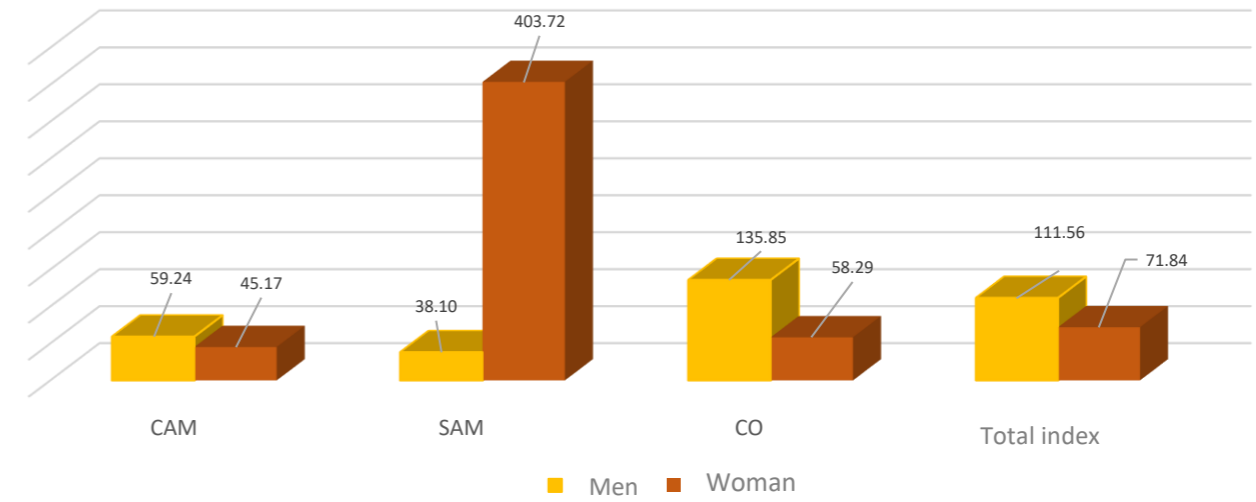


Rate Trend to work accidents

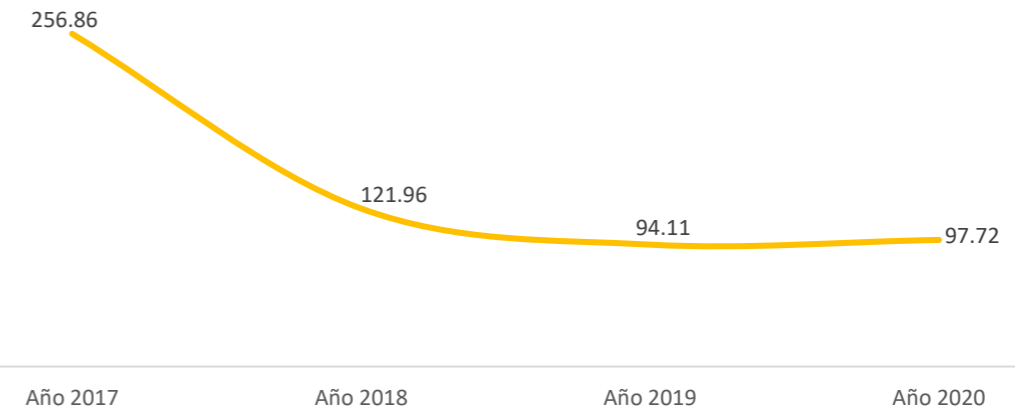


In 2020, the rate dropped significantly with 23% less work accidents than in 2019. Compared to last year, this represents a decrease of around 30% of frequency rate. This result reflected the efforts of the intervention actions and the reduction on the operation.

Rate of days lost due to work accidents²³



Rate Trend of day lost to work accidents



In 2020 we had a 3% increase in severity as we had two (2) significant events that occurred during the development of non-routine activities of the operation such as de-preservation of aircraft that we had while the operation halted.

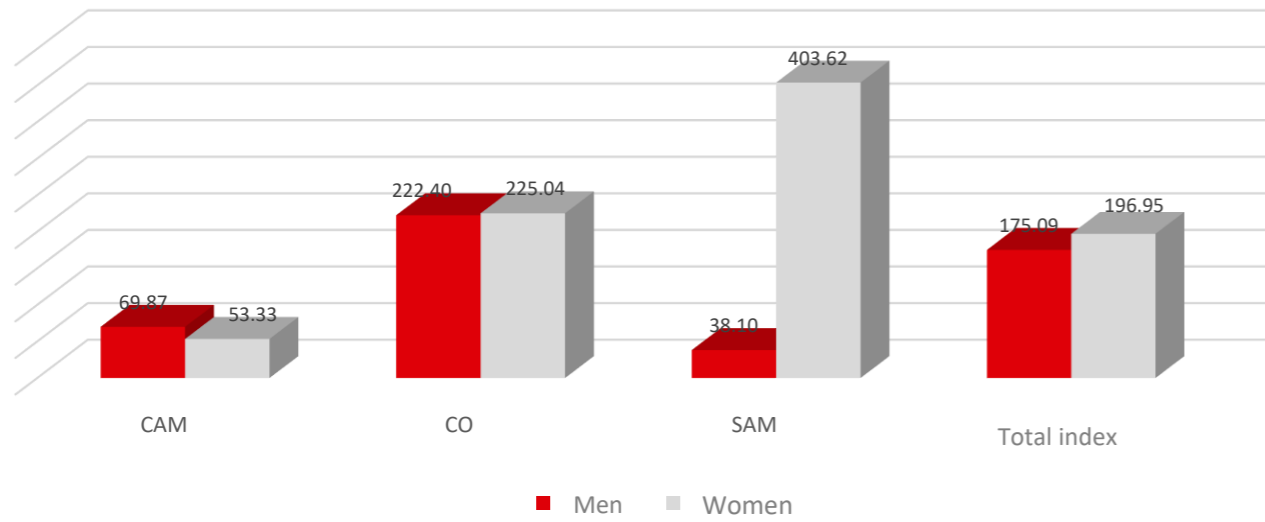
Initiatives Cultural Transformation Model

We implemented the first stage of our cultural transformation model which consisted of letters of commitment to workers with high accident rates, value conversations between leader-worker and actions focused on thinking before acting.

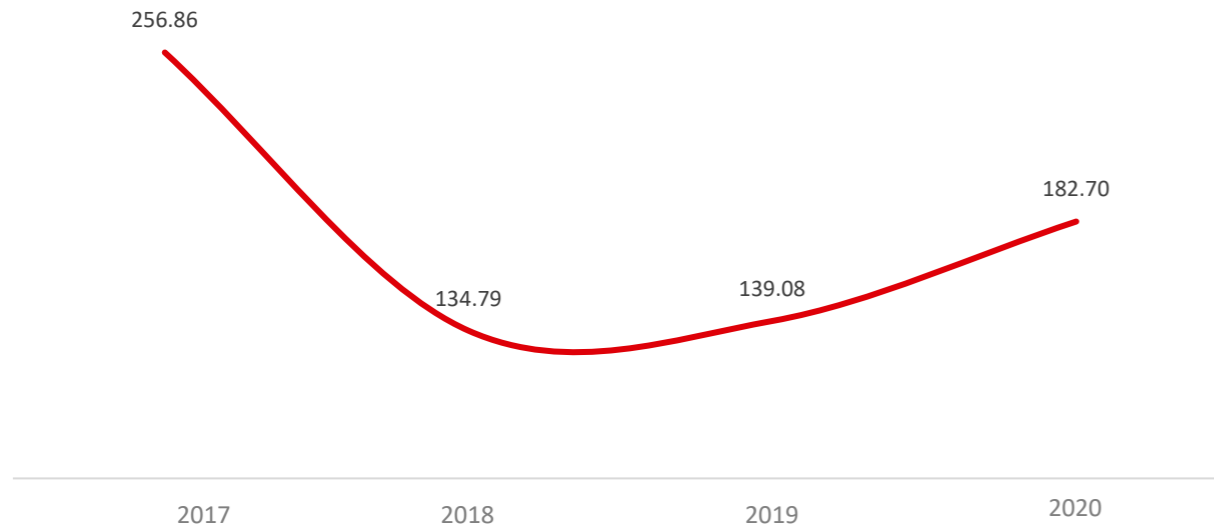
22. Frequency Rate of Work Accidents: Number Work Accidents / man - hours worked * 1.000.000

23. Rate of days lost due to work accidents = Number of days lost due to work accidents / number of man-hours * 1.000.000.

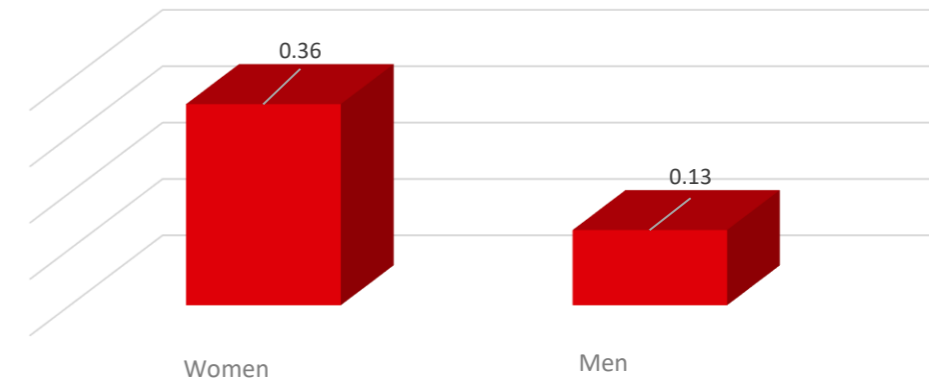
Rate of days lost due to work accidents and occupational diseases²⁴



Rate trend Days lost due to work accidents + occupational diseases



Rate of work due to illness²⁵



Rate Trend of work due to illness



Occupational diseases have not been rated in Ecuador, Peru and CAM. In Colombia, six (6) cases of occupational disease were reported in 2020, improving the target to have no more than eight (8) confirmed cases of disease.

Initiatives

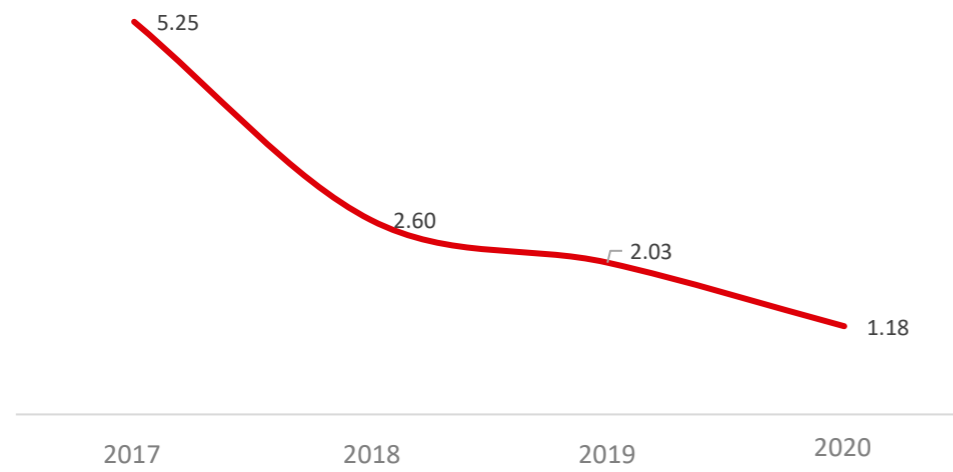
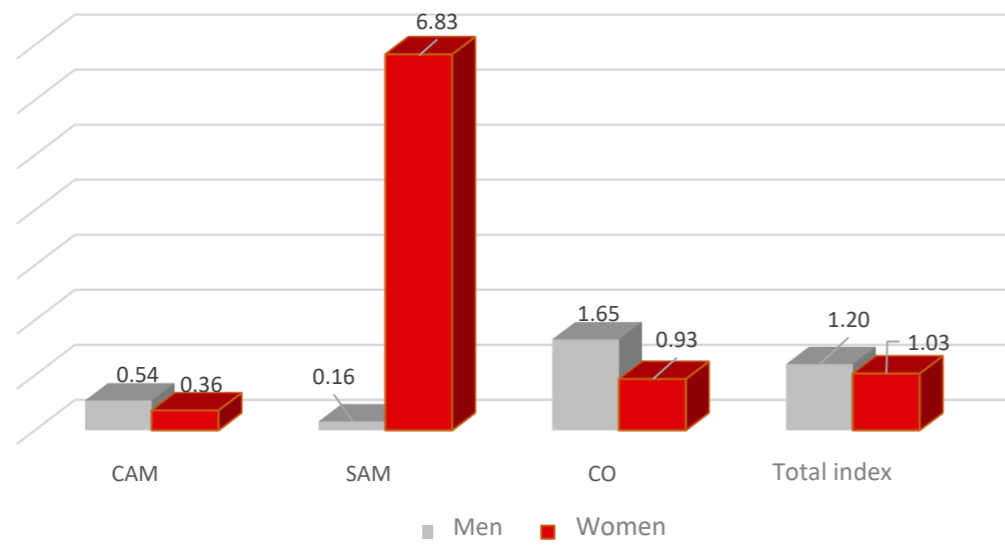
Comprehensive Work Absenteeism Management Plan

- In 2020, we strengthened and developed the Comprehensive Work Absenteeism Management Plan, a detailed characterization of the causes of absenteeism and its interdisciplinary management. This process was carried out with the participation of different areas of the company, achieving a reduction in absenteeism.
- The area leaders (first line of defense-for additional information, see the chapter on Operation management: risk and safety) have strengthened their skills and taken ownership over their responsibilities regarding comprehensive risk management.
- We supported the process of work reintegration and adaption of our employees with medical recommendations and restrictions.

24. This indicator is calculated based on calendar days counted from the day on which the accident occurred. Therefore, this calculation is based on the rate of days lost due to WA or OD and is calculated with the following formula: Number of days lost due to WA or OD/man-hours worked x 1,000,000.

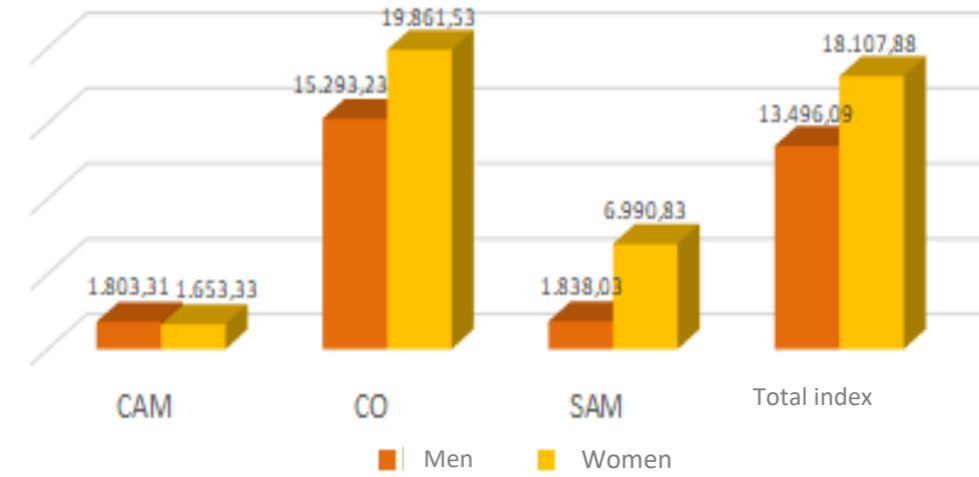
25. Rate of days lost due to work accidents = Number of days lost due to work accidents / number of man-hours * 1,000,000.

Rate of incapacitating injuries²⁶

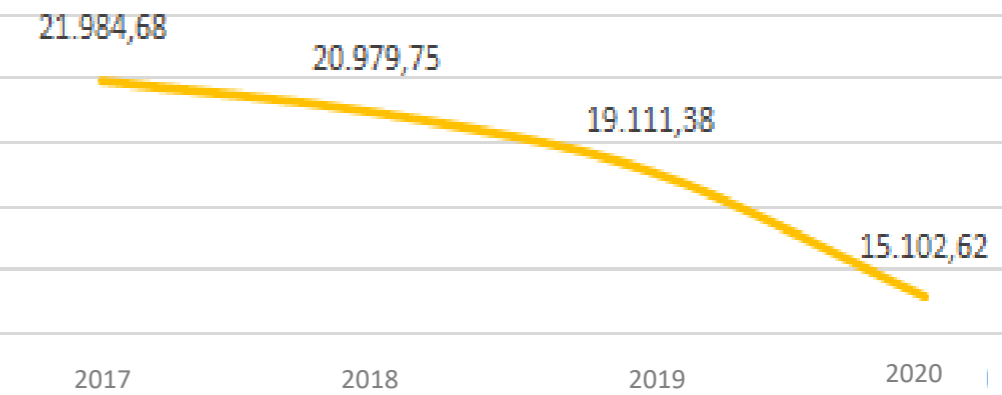


A decreased of 0.85 percentage points from 2019 was reported, due to the significant reduction in the accident frequency indicators.

Absenteeism rate²⁷



Absenteeism rate trend



In 2020, the absenteeism rate decreased by 21%, as a result of the intervention strategies and the prevention of diseases that impact the company's absenteeism

Total number of deaths

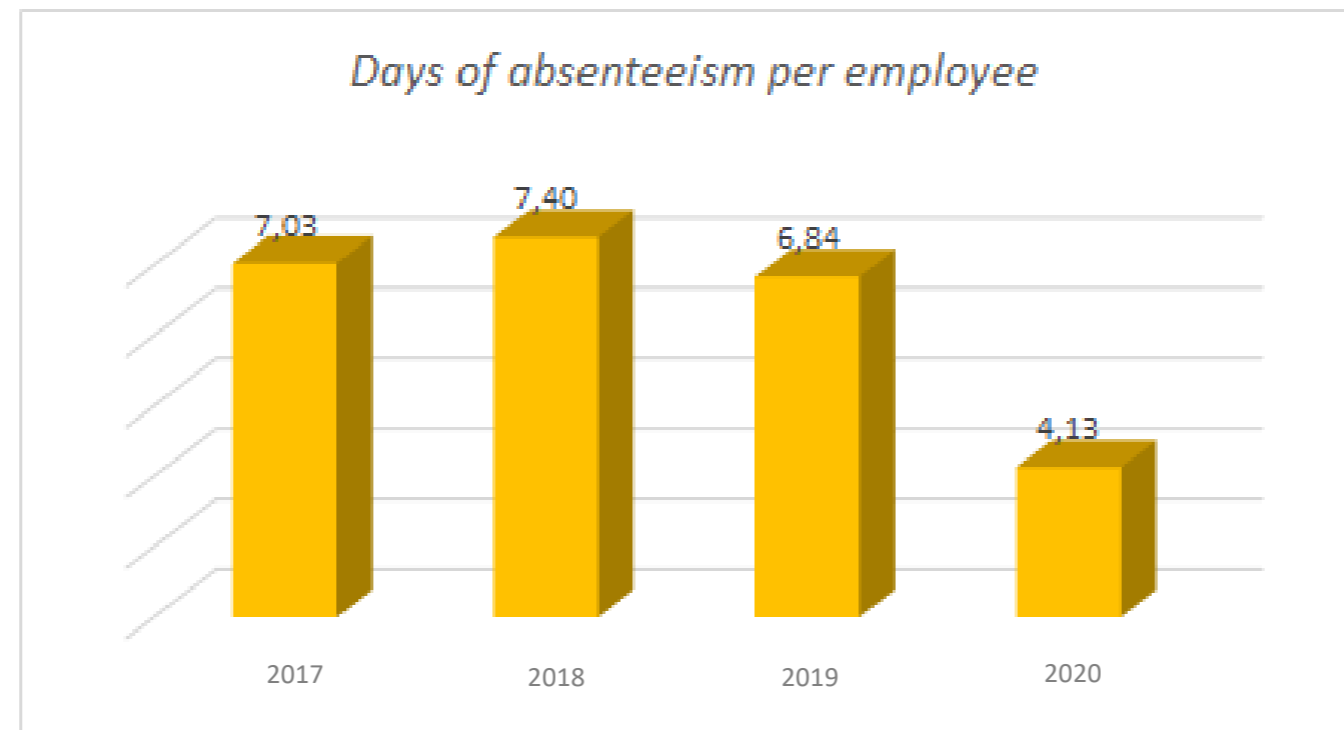
During the last 3 years, there were no work-related deaths.

26. The indicator was calculated using the formula (frequency rate x severity rate) / 1,000.

27. The absenteeism rate is calculated as follows: (number of days lost due to work accidents, occupational diseases and general illnesses / number of worker days) x 1,000,000.

Days of absenteeism per employee²⁸

Days absent per employee is an indicator that allows comparison with the industry and expresses the average in days an employee was absent from his job due to medical incapacity in the year



In 2020, there were 4.13 days of absenteeism per employee, a decrease of 40% compared to the previous year

28. Days of absenteeism= Absenteeism days / number of employees



Cultural transformation model

In line with the Occupational Health and Safety Management System, in 2020 we developed actions focused on evolving towards a culture of care and prevention through our cultural transformation model.

By using this model, we aimed to reduce the accident rate in our operations, based on the premise: Safety comes first, focusing our management on making changes in our employees' behavior and enabling greater awareness of their safety and well-being. It consists of three (3) stages, based on Culture of self-care, Meaningful Learning and Organizational Culture, which permeate our company's culture.

In 2020, we successfully implemented the Culture of self-care of this model, where progress was made on ensuring safe behavior for the prevention of work accidents.

Own indicator: Industrial health and safety training

Training of our employees is one of the key activities to promote self-care and empowerment.

To carry out this training, we defined a detailed schedule of activities that strategically define our interventions. Below, we present the training in 2020:

Country	Topics	Number of employees trained
Colombia	Risk Management	1,243
	Occupational Health and Safety Induction	466
	Let's Talk about Mental health	34
	Breaks at Work-Prevention of Occupational Hazards at Home	82
	Self-protection Drill	144
El Salvador	Risk prevention - prevention of osteomuscular injuries	62
Ecuador	Handling portable fire extinguishers	70
	Working at heights	25
Costa Rica	Risk prevention - prevention of osteomuscular injuries	27
Guatemala	Occupational Health and Safety Induction	12
	Handling portable fire extinguishers	49



Occupational health services

We manage occupational health based on three (3) pillars: occupational medicine, preventive medicine and work medicine. This has enabled us to guide our management to maintain the physical and mental health of our employees, prevent illnesses caused or aggravated by exposure to risk and encourage healthy lifestyles.



Occupational medicine

We identify and implement action plans for risk management related to the health of our employees, seeking their adequate return to work without affecting their health, recognizing, and managing the main causes of absenteeism, with the aim to increase productivity.



Preventive medicine

Through an up-to-date epidemiological diagnosis of the employees' health and work conditions, we continued a health monitoring system designed for prevention and timely intervention in the most prevalent causes of illness, raising awareness about self-care and healthy lifestyles.



Work medicine

We detect, monitor, and reduce the risk factors of staff with occupational exposure through occupational medical exams, with the aim to protect their health and safety. We implement epidemiological surveillance programs to prevent the incidence of occupational diseases.



Employee participation and inquiry

We have implemented areas for participation, inquiry and communication about occupational health and safety for our employees, with the aim to provide timely management of the circumstances that arise and to strengthen our reporting culture.

Enterprise Risk Report (IRO, for the Spanish original)

We have the Enterprise Risk Report on the AQD risk platform to give our employees the opportunity to report the incidents, work accidents, and unsafe acts and conditions that arise in the company. This allows us to ensure compliance with our policy, which establishes the commitment to apply, promote and manage a voluntary, confidential and/or anonymous and non-retaliatory whistleblowing system that encourages the timely reporting of situations that may compromise safety and compliance in operations.

In addition to the Enterprise Risk Report, we have the following participation channels:

- Ethics Hotline
- Document management tool
- Hazard and risk identification through interviews with employees
- Occupational Health and Safety Joint Committee
- Work Coexistence Committee
- Safety committees and areas



GRI 403-1²⁹

Through our occupational health and industrial safety committees we monitor our performance, as follows:

Committees	Participants	Frecuency	Main Activities
Executive Committee / Comprehensive Safety Committee	CEO and the team of vice presidents	Bimonthly	Present and escalate significant findings that require budget and/or administrative approval for their management.
Local Safety and Compliance Committee	Process leaders and HSE Team	Monthly	Present indicators on accident rate and absenteeism, serious incidents that occurred during the reporting period and findings identified. Additionally, review the actions proposed to address the topics managed.
Local Safety and Compliance Committee	Process leaders and HSE Team	Monthly	Participate in the committees of other areas. In them, the management of accidents and absenteeism of each population, initiatives and cases that have occurred during the periods evaluated are verified and, if necessary, the required actions are taken for the significant risks identified.
Primary Management Committee	HSE Director	Monthly	Present accident rate and absenteeism trends.
Primary Committee, Vice Presidency of Engineering and Maintenance, Vice Presidency of Service Delivery and Vice Presidency of Flight Operations	Process leaders and HSE Team	Monthly	Participate in the committees of other areas, to verify accident rates and absenteeism trends in each group, the initiatives and cases that have arisen during the assessed periods and, if necessary, generate the required actions for the identified significant risks.
Accident committees	Director of the involved area	Monthly	For critical company processes, to manage serious and severe cases and the actions to be taken in response to the incidents that arise.
Occupational Health and Safety Joint Committee	All levels of the Organization (including management)	Monthly	The action lines of this committee include safety inspections, investigations of work accidents, oversight, and participation in the OHSMS, and employee participation and inquiry, among others. This committee applies for Colombia.
Work Coexistence Committee	All levels of the organization (including management)	Bimonthly	Confidentially receive and process complaints about situations that could represent workplace harassment.

29. The information reported for the GRI 403-1 indicator is consolidated for 100% of the employees directly hired by the companies that belong to the holding company for each work center.

Acknowledgments

We obtained the biosecurity seal: "Check in certified, COVID-19 ", which is a certification created by the Ministry of Commerce, Industry and Tourism, with the aim to generate trust among travelers and consumers, minimizing the risks of contagion of the virus and encourage tourism in Colombia.

We made progress in the challenges we took on 2019

- We created models of contractor and suppliers to control Biosafety measures.
- We carried out the alignment of the Occupational Health and the Safety Management System with 95% progress in the work plan established with Biosafety requirements.
- We decreased the accident rate by 17% for the Vice Presidency of Engineering and Maintenance, by 35% for the Vice Presidency of Customer Service Delivery and by 7% for the Vice Presidency of Flight Operations.
- We improved the Occupational Health and Safety Management System (OHSMS) by increasing the score in three (3) requirements of the Resolution 0312/2019.
- We obtained the approval of our Biosafety Manual which were submitted by ten (10) Airport Operators; 18 Mayors in Colombia and seven (7) Holding bases.

How did we adapt in 2020

- We strengthened our culture of care and prevention with the implementation of the first stage of the prevent work accidents model, achieving a 30% reduction in the accident rate in Avianca Holdings, 35% in the Vice Presidency of Customer Service Delivery and 17% in the Vice Presidency of Engineering and Maintenance.
- We maintained the maturity of the Occupational Health and Safety Management System of Avianca S.A., to improve three (3) 2019's requirements based on Resolution 0312/2019. The above supports engagement with the health and safety authorities and airport concessions.
- The Occupational Health and Safety Management System for COVID- 19 was implemented under a PDCA cycle, where we were aware of the legal requirements implemented by each country so the risks could be identified and evaluated. All this allowed the development of documented information as well as an effective communication plan with the aim of raising awareness among employees and achieving effective change management. Audits and inspections were carried out as part of the continuous improvement of the biosecurity measures implemented.

Our future 2021

- Maintain our rating of the maturity level of the OHSMS to 90%.
- Maintain downward trend of the accident frequency rate
- Implement the second stage of the prevent work accidents model.
- Certify the Occupational Health and Safety Management System with the Ministry of Labor.
- Ensure the business continuity plan is aligned with the Emergency Response Plan.
- Strengthen the strategies to prevent absenteeism for medical reasons and consequently increase the areas' productivity.
- Improve the standardization and impact of the epidemiological surveillance and prevention procedures and programs, focusing on the most critical risks for the company and its employees.
- Achieve a greater impact on management of work absenteeism and on employee wellbeing, obtaining more visible effects in productivity.
- Implement the comprehensive programs for health promotion and disease prevention for passenger cabin crews, cockpit crews and maintenance employees with initiatives aimed to generate a positive experience based on health and self-care.
- Strengthen the comprehensive health care processes, guaranteeing response, recovery, effective return and maintenance of psychophysical aptitude and productivity.
- Certify Avianca as a healthy organization.
- Be closer to the employees and have greater presence in the areas by strengthening the manager and advisor structure.
- Increase the impact of the communication and training processes in order to have deep changes in the culture and self-care, enabling the company to achieve health and safety as a value.
- Achieve the Recertification of Biosafety Seals.




12 | Meaningful engagement with our stakeholders

Communities



Our stakeholders

 **GRI 102-40; 102-42**

At Avianca, we understand that engaging strategically with our stakeholders is essential to construct effective and long-term relationships. We construct these relationships under principles, standards and a shared-value vision of generating positive impact and contribute as one to the Sustainable Development Goals- SDGs. These are our stakeholders.

Our stakeholders



GRI 102-40; 102-42

We work on effective partnership practices and capacity development to understand our stakeholder's expectations and the main priorities for them and jointly work on finding opportunities to grow together. In this way, we achieve to enable the development of an effective engagement and the promotion of a constructive and participative long-term dialog. This by building trust through a two-way communication, using different channels that are relevant for each stakeholder.

We use digital, in-person and relationship-building communication channels to interact with them and to understand their priorities, needs and expectations, which serve as inputs to update our materiality analysis and generate value propositions. Stakeholder engagement is essential for our sustainable development, and for this reason we seek to have ongoing communications through our different channels and to keep them informed about our economic, environmental, and social management.

All this helps us to consolidate our strategy to generate value for all our stakeholders:

Stakeholders	Employees		
Subgroup	Methods of stakeholder engagement	Frequency	Revelant topics
Operational	<ul style="list-style-type: none"> Operational Briefing. Conversations with the leader. My crew (pilots and cabin crew). Newsletter 	<ul style="list-style-type: none"> Daily Monthly On demand 	<ul style="list-style-type: none"> Day by day operational management. Organizational processes.
Cross-cutting	<ul style="list-style-type: none"> Conversations with the CEO. Ambassador plan. Intranet. Corporate newsletter app – “Somos Uno”. Corporate social network Yammer. E-mail. MasterClasses Aviation Microsoft Teams Live Events App Assistance channels (Success Factors, MAURO, Ethics Hotline). 	<ul style="list-style-type: none"> Conversations with the CEO: Daily/Weekly during the COVID-19 pandemic. Monthly on a regular basis (54 in total per year). Ambassador Plan: 1 visit per year. MasterClasses : 2-6 per month. Rest of the channels: Permanent. 	<ul style="list-style-type: none"> Chapter 11. Ramp down/Ramp up. Prevention and self-care measures due to the COVID-19 pandemic. Customer service pedagogy. Labor Unions conversations. Operational Performance Indicators.
Administrative staff	<ul style="list-style-type: none"> Charlie Echo (Effective conversations). Corporate newsletter 1:1 meetings with the leader. Performance related conversations. Development related conversations. 	<ul style="list-style-type: none"> Monthly Newsletter: weekly 	<ul style="list-style-type: none"> Growth and development Opportunities. Organizational and structural changes. Alignment with corporate objectives.

Stakeholders	Customers		
Subgroup	Methods of stakeholder engagement	Frequency	Relevant topics
Corporate and agencies High-value customers Other customers	Relations mechanisms <ul style="list-style-type: none"> • Call Center. • Mail Chat. • Live Chat. • Vianca Bot • Frequent Flyer Program. • Website. • Social Media. • Physical points of contact. • Avianca App. Mechanisms for understanding * NPS Survey (Net Promoter Score).	-Permanent	<ul style="list-style-type: none"> • Sales inquiries. • Irregularities. • Baggage. • Company operations. • Flight status. • Route network. • Itinerary changes. • Provision of additional services. • Biocare information • Biosecurity and COVID- 19 requirements • Complaints management. • Frequent Flyer Program.

Stakeholders	Suppliers and contractors		
Subgroup	Methods of stakeholder engagement	Frequency	Relevant topics
Suppliers of: <ul style="list-style-type: none"> • Fuel • Aviation components • Customer experience • Administrative • Information technology • Airport services • Aircraft leases 	<ul style="list-style-type: none"> • Avianca website. • E-mail: registro.proveedores@avianca.com - Ethics Hotline: http://aviancaholdings.ethicspoint.com • E-mail: gencertificados.subavh@avianca.com • Ariba Notifications 	Permanent	<ul style="list-style-type: none"> • Support for supplier registration. • Self-registration of new suppliers. • Communication channel enabled for suppliers to report any unethical, corrupt or suspicious activity. • Applications for tax and commercial certifications. • Notifications of update information, purchase orders, payments and sourcing events.

Stakeholders		Media	
Subgroup	Methods of stakeholder engagement	Frequency	Relevant topics
<ul style="list-style-type: none"> ● Mass media directors. ● Editors. ● Source journalists. ● Columnists. 	<ul style="list-style-type: none"> ● 1:1 virtual meeting. ● In-depth interviews. ● Training events. ● Informational briefings. ● Relevant information mailings. ● News center. ● Avianca News. ● On Board magazine (suspended as of April). 	<ul style="list-style-type: none"> -Permanent. -Monthly. 	<ul style="list-style-type: none"> ● Company's financial position (Chapter 11) ● Ramp Down and Ramp Up Plan ● Labor Measures (relations with trade unions). ● Customer service situation

Stakeholders		Investors	
Subgroup	Methods of stakeholder engagement	Frequency	Relevant topics
<ul style="list-style-type: none"> ● Institutional investors. ● Ordinary shareholders. ● Minority shareholders and Preferred shareholders. ● Lenders/Bondholders. ● Market analysts. 	<ul style="list-style-type: none"> ● E-mail. - IR@avianca.com ● Quarterly conference for investors³⁰. ● Annual Report. ● 20F Report³¹. ● Shareholders' Meeting. ● IR Website / Chapter 11 Website ● Monthly Lenders Call ● Point of contact: Investor Relations Office. 	<ul style="list-style-type: none"> ● Occasional ● Quarterly ● Annual ● Annual ● Annual ● Permanent ● Monthly ● As required 	<ul style="list-style-type: none"> ● Company profitability. ● Avianca Holding's liquidity, indebtedness and corporate strategy. ● Maintenance of high corporate Governance standards (transparency). ● Quarterly financial results. ● Monthly operating results. ● Strategic alliances.

30. The company held only one quarterly conference call for investors on February 28, 2020, where the Full Year 2019 earnings results were discussed.

31. During 2020 the company released the Format 20-F for the period 2019.

Stakeholders	Communities		
Subgroup	Methods of stakeholder engagement	Frequency	Relevant topics
<ul style="list-style-type: none"> • Communities in the area of influence of major airports. • Communities that are beneficiaries of social and environmental programs. 	<ul style="list-style-type: none"> • Annual Report. • E-mail of the Engagement and Sustainability Department. 	<ul style="list-style-type: none"> • Annual • Permanent 	<ul style="list-style-type: none"> • Engagement and Sustainability Strategy. • Access to social programs.

Stakeholders	Third sector		
Subgroup	Methods of stakeholder engagement	Frequency	Relevant topics
<p>Partner Non-Governmental Organizations (NGOs).</p>	<ul style="list-style-type: none"> • Annual Report. • E-mail of the Engagement and Sustainability Department. 	<ul style="list-style-type: none"> • Annual • Permanent 	<ul style="list-style-type: none"> • Engagement and Sustainability Strategy. • Access to social programs. • Opportunities for alliances. • Development of campaigns on social and environmental matters. • Sponsorship for social and environmental events.

Stakeholders	Guilds and associations		
Subgroup	Methods of stakeholder engagement	Frequency	Relevant topics
<ul style="list-style-type: none"> ● International guilds. ● Operational guilds. ● Trade guilds. 	<ul style="list-style-type: none"> ● Press releases. ● Annual Report. ● Periodic reports. ● Informal communications (phone calls, e-mails, text messages, WhatsApp) at the institutional and technical level. ● Attendance to meetings organized for association members. ● As members of the Board of Directors, participate in the Guild's Annual Meetings. 	<ul style="list-style-type: none"> ● Permanent ● Annual ● Periodic ● Permanent 	<ul style="list-style-type: none"> ● Biosafety protocols. ● Legal compliance. ● New proposed legislation. ● Airport infrastructure. ● Tax collection. ● Socio-economic-political situations in each country. ● Request for periodic operating, economic, financial, tax and sustainability information. ● Aviation connectivity. ● Customer service and passenger rights. ● Operational projects.

Stakeholders	Government authorities		
Subgroup	Methods of stakeholder engagement	Frequency	Relevant topics
<ul style="list-style-type: none"> ● International regulatory bodies. ● Industry regulators. ● National and/or supranational administration. 	<ul style="list-style-type: none"> ● Rights to petition. ● Press releases. ● Annual Report. ● Periodic reports. ● Financial Superintendence website. ● Formal notices, official communications, resolutions, administrative acts. ● Informal communications (phone calls, e-mails, text messages, WhatsApp) at the institutional and technical level. ● E-mail. - notificaciones@avianca.com 	<ul style="list-style-type: none"> ● Permanent ● Permanent ● Annual ● Periodic ● Permanent 	<ul style="list-style-type: none"> ● Biosafety protocols ● Legal compliance. ● Resolutions and Administrative Acts. ● Request for periodic operating, socioeconomic, political, tax and sustainability information. ● The company's route network and services. ● Customer service and passenger rights. ● Operational projects.



Guilds and associations

GRI 102-13

At the international and regional level, we participate in organizations and initiatives that share our principles and values in the pursuit of our strategic objectives. We seek to belong to Industry Associations that will have a positive impact on our operation in terms of:

- Brand exposure.
- Approaching the government, industry-related authorities and other relevant economic areas.
- Joint work with companies in the sector.
- Knowledge of the bills that affect the sector.

USD \$ 369,934
total contributions to all guilds and associations

Associations with the greatest contribution amounts in 2020

	Association name	Contribution amount in USD
1	International Air Transport Association (IATA)	281,883
2	Asociación Latinoamericana de Transporte Aéreo (ALTA).	25,000
3	Asociación del Transporte Aéreo Colombiano (ATAC)	12,508
4	Cámara de compañías aéreas en Argentina (JURCA)	5,088
5	Junta dos Representantes das Companhias Aéreas Internacionais do Brasil (JURCAIB)	3,948

60% of the total contributions to the sectorial unions correspond to direct / indirect lobbying and the remaining percentage is used to review aeronautical issues.

Regarding guilds and association management, during 2020:

1. At the Senior Administration level, in terms of cost reduction the decision was made to remain only in the mandatory guilds and in those Colombian guilds that were considered essential. That is why, we left most of the guilds.
2. Due to the COVID-19 pandemic, there were guilds that have not been paid yet, or a part of the amounts have been paid.

We highlight the following organizations and initiatives:

#	NAME	ASSOCIATION/INDUSTRY GROUP	COUNTRY	AUDIENCE
1	Cámara de compañías Aéreas en Argentina (JURCA).	Guild	ARGENTINA	OPERATIONS
2	Cámara de Comercio de Aruba.	Guild	ARUBA	TRADE
3	Asociación de Líneas Aéreas (ALA Bolivia).	Association	BOLIVIA	OPERATIONS
4	Junta dos Representantes das Companhias Aéreas Internacionais do Brasil (JURCAIB).	Guild	BRAZIL	OPERATIONS
5	Asociación Chilena de Líneas Aéreas.	Association	CHILE	OPERATIONS
6	Asociación del Transporte Aéreo Colombiano (ATAC).	Association	COLOMBIA	OPERATIONS
7	Asociación Nacional de Empresarios de Colombia (ANDI).	Association	COLOMBIA	TRADE
8	Asociación de Anunciantes de Colombia (ANDA).	Association	COLOMBIA	TRADE
9	Asociación de Líneas Aéreas (ALA).	Association	COSTA RICA	OPERATIONS
10	Curacao Tourism Board.	Guild	CURACAO	TRADE
11	Curacao Cámara de Comercio e Industria.	Guild	CURACAO	TRADE
12	Asociación de representantes de aerolíneas internacionales en el Ecuador (ARLAE).	Association	ECUADOR	OPERATIONS
13	Asociación de Líneas Aéreas de El Salvador (ASLA).	Association	EL SALVADOR	OPERATIONS
14	Asociación Guatemalteca de Líneas Aéreas de Guatemala (AGLA).	Association	GUATEMALA	OPERATIONS
15	Cámara Nacional de Aerotransporte (CANAERO).	Guild	MÉXICO	OPERATIONS
16	Visit US	Guild	PARAGUAY	TRADE
17	Asociación de Empresas de Transporte Aéreo Internacional (AETAI).	Association	PERÚ	OPERATIONS
18	Cámara Aeronáutica UY	Guild	URUGUAY	OPERATIONS
19	International Air Transport Association (IATA).	Guild	INTERNATIONAL	INTERNATIONAL
20	Asociación Latinoamericana de Transporte Aéreo (ALTA).	Association	INTERNATIONAL	INTERNATIONAL



Internal communications

Conversations between leaders and teams are crucial to keep our employees informed with the most relevant news. Therefore, from the Internal Communications' management, we promote spaces for dialog and participation, to strengthen relationships based on trust and to contribute to improve organizational practices.

Our Internal Communications' model promotes the leader to become the primary channel to deliver corporate updates, especially in uncertain times like those we went through in 2020.

Our model seeks to facilitate understanding and adoption of business communications by the various internal audiences at the company. In this process, we:

- Identify opportunities, strengths, and risks of communications within the organization.
- Promote leaders to become the most important channel to communicate corporate updates, by scheduling periodical conversational spaces with their teams.
- Investigate, diagnose, and measure the effectiveness of each communication strategy we implement, to identify improvement opportunities.
- Define the most suitable media and channels for each strategy, according to the target audience.

Our internal communications are aimed at aligning the corporate values, objectives, and strategies with our employees' commitment to Avianca's team and culture.

We manage our internal communications through:



Our leaders are the main spokespersons for corporate updates. In 2020 we provided support to leaders in their key role as spokespersons for their respective audiences, by assisting them in developing conversational spaces with their teams. We provided them with guides to coordinate these conversational spaces in a successful way (Charlie Echo leaders' monthly guide, for example). We also assisted them in the production of live events via Teams app and we provided them Question and Answer (Q&A) scripts or Talking Points to address sensitive matters and to ensure that the messages are aligned with the company's internal and external communications.



Our system of internal media and channels (operational, administrative, and cross-cutting media)

Our internal communications media system aims to transmit the most relevant information to our various audiences through close and effective communications. While the leader is the most relevant channel to give updates, we also strengthen our corporate messages through intranet, e-mail, Yammer, MyCrew, and operational conversations, among others.



Conversational spaces to generate trust and credibility

2020 was a year of change in the airline industry. In uncertain times like these, the power of conversation enhanced and the need to be informed each day about the latest news became more important than ever. During the COVID-19 pandemic, conversational spaces with the CEO and the ELT were increased. These conversational spaces allowed us to deliver the key messages to a larger audience in a faster way, to guarantee the understanding of the messages. We also worked together with the human talent team, to produce spaces to resolve doubts specifically about their areas. Furthermore, we created the MasterClasses Aviation, a series of talks about different topics related to the industry, starring the experts from the different areas in the company.



Conversational Spaces CEO and ELT: Participation of 48% of Avianca Holdings employees

We did 53 conversational spaces with the CEO and the ELT, with over 324,000 connections. There were also 174 conversational spaces with leaders and MasterClasses Aviation, with over 122,000 connections (Average: 704 connections per session). In 2020 we did 88 more sessions than in 2019. During the COVID-19 pandemic, we scheduled 44 MasterClasses.



We measure the performance of our internal communications in our digital channels through the following figures:

E-mail 55% Percentage of openings over an average population of 14,000 employees

Masterbase We administrate sending messages to the employees who work directly with the company through Masterbase, our internal platform. Some of the most important functionalities of Masterbase are that it enables sending segmented mailings by audience, area, workplace, position, gender, role, city, etc., to allow a more effective segmentation of messages. It also produces metrics on sent messages (openings, clicks, etc.), that serve as input to measure the effectiveness of our communications.

Intranet over 2.2 million views and over 500 new posts.



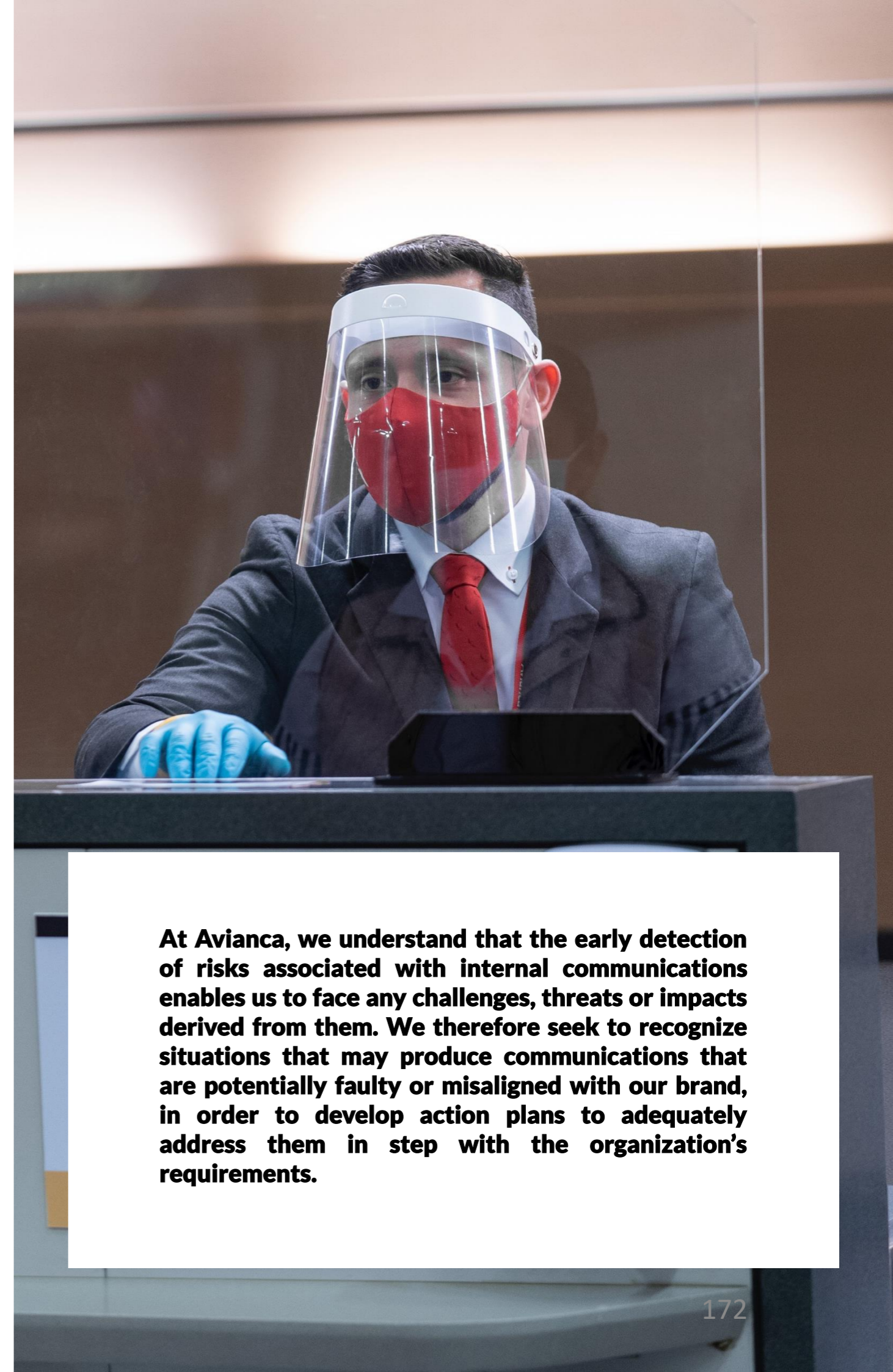
Yammer annual increase 23,8% in comparison with 2019.

Throughout the communication during the COVID-19 pandemic, the filing for Chapter 11 and the ramp down/ramp up processes in our operation, we promoted employees to seek their leaders in the first place to solve doubts, and to stay informed through our official internal and external media, to mitigate rumors or concerns they might have in this regard.

We also developed several initiatives to work alongside the customer service area, aiming to decongest the call center, which was collapsed after the COVID-19 pandemic. We sought employees to become experts in topics related to our service and operations, and therefore, share this information with their family and friends. To achieve this, we created a special mini site in the intranet and a yammer profile called "Aprende con Vianca". We also promote mostly through yammer, educational posts for internal and external audiences, regarding biosafety protocols, customer service channels, traveling tips, among others, so that our employees could share these pieces with their acquaintances.

During 2020 we also kept our employees informed about the progresses related to the labor union conversations, as part of the company's responsibilities within the Chapter 11 process.

We measured our performance in this area through four (4) in-house surveys at the Holding company, to measure knowledge and perceptions on the main topics during each month, between July and November.



At Avianca, we understand that the early detection of risks associated with internal communications enables us to face any challenges, threats or impacts derived from them. We therefore seek to recognize situations that may produce communications that are potentially faulty or misaligned with our brand, in order to develop action plans to adequately address them in step with the organization's requirements.



Own indicator: Percentage of appropriation of the main corporate topics by Avianca Holdings' employees, related mostly to Chapter 11, ramp-up and labor measures.

34.55% employees participated in the four (4) surveys.

92.03% of the surveyed population at Avianca Holdings demonstrated knowledge of the main topics related to the corporate news between July and November.

This percentage established a level of confidence in the survey responses and helped us understand the perceptions and understanding of our employees regarding the main corporate news. The results also demonstrated the effectiveness of the internal communications channels and media.

Main results of the four in-house survey of corporate topics knowledge

- Regarding the Chapter 11 communication strategy, the strategic messages' survey closed with a result of 97.85% of understanding, from Avianca Holding employees.
- The messages related to labor union conversations had an 83.04% of adoption by the employees.
- The employees were aware of our most important updates related to the ramp-up of our operations, after the government restrictions in the countries where we operate. The strategic messages' survey closed with a 98.33% of adoption of these messages.
- The internal service "Learn with Vianca" had a 78% of adoption by our employees.



How did we adapt in 2020?

- We strengthened our internal communications model, not only by managing our media system, but also by providing support to leaders, to act as spokespersons for their teams specially during crisis like the one we lived due to the COVID-19 pandemic.
- We implemented strategies to leverage the information workstream and communications for the main corporate topics. The progress achieved was measured through the following indicators: Data Masterbase, Yammer and In-house survey.
- We contributed to the improvement of customer service topics and to decongest the company's call center, by promoting employees to share important information with their relatives and acquaintances regarding these processes.
- We developed the MasterClasses Aviation as an educational resource to share topics related to the industry and to position the leaders as the experts of each area.

We made progress in the challenges we took on 2019

- By the end of 2019, we set as one of our most important goals to enhance the leader as the main channel to keep our employees informed. In 2020, we increased the number of conversational spaces not only from the CEO but also from the leaders, especially in our operational areas (31 spaces in 2019 vs 227 spaces in 2020). Most of these were held during the COVID-19 pandemic, to mitigate the uncertainty among our people regarding the operation and the company's future. As a result, in 2020 we reduced among employees the use of written media, such as email (-5% vs 2019) or intranet (-13% vs 2019).
- The strengthening of the leader as the main channel was also important to increase the comprehension of strategic messages in 2020 (increase of 12.03% versus 2019), reaching a 92.03% in 2020.

Our future 2021

- Continue with the growth and positioning of the leader as the main spokesperson for business communication.
- Design and progressively implement the new corporate narrative for employees.
- Setting the tone for the new business model.
- Strengthening the media and channels as the main source of information for employees.
- Growth in channels that facilitate two-way conversation between employees and senior management.
- Increase the conversation spaces between the leader and his teams, directly proportional to the decrease in written messages.
- Strengthening of the self-management model of communication channels for the areas.
- Increase in the segmentation of messages according to the target audience.



External Communications

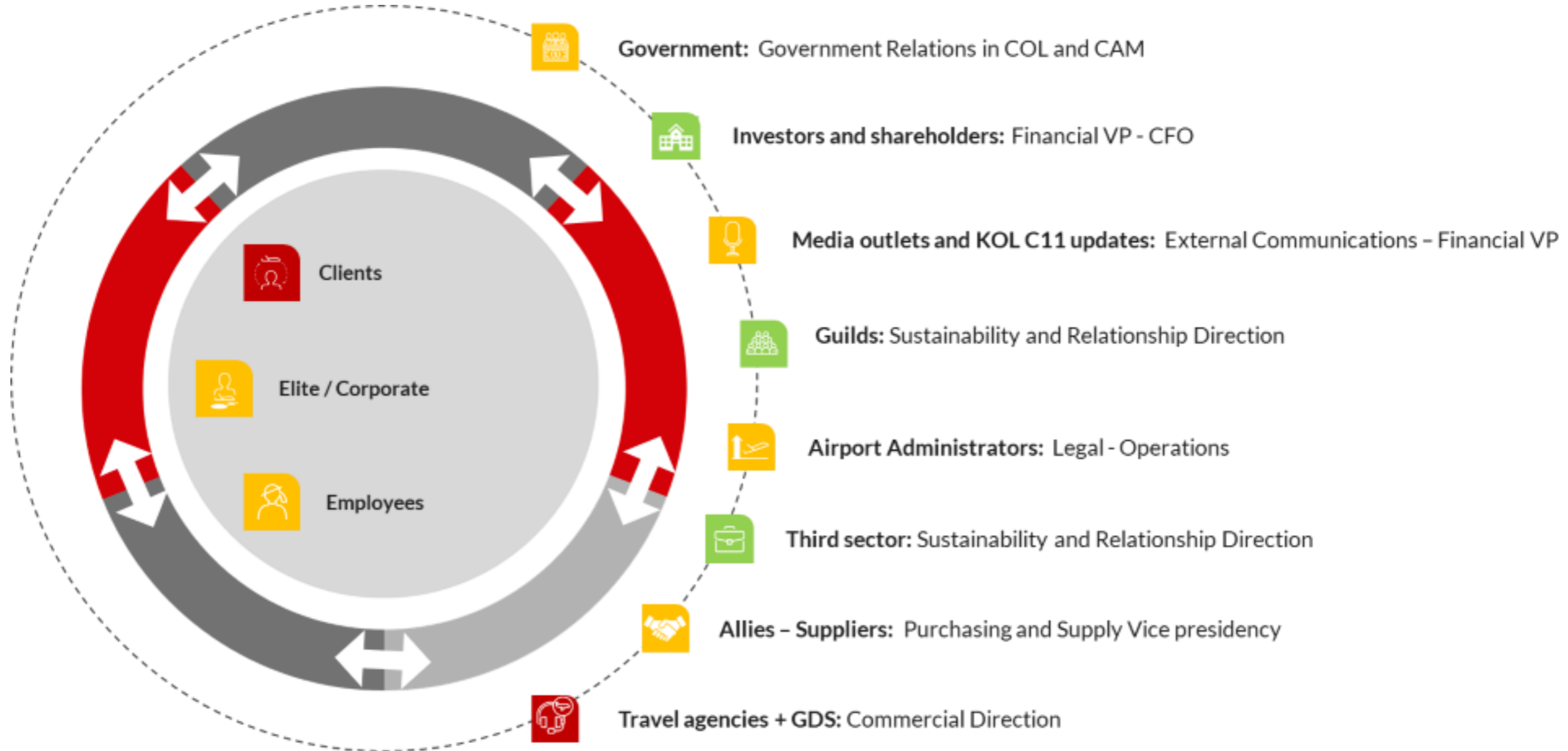
Our mission is to act as drivers for strategic communications between Avianca Holdings and its subsidiary companies with the external audiences. With the purpose to promote a positive opinion capital, we understand seek to generate assertive communications and propitiate spaces for an open and transparent dialog to build a long-lasting and valuable relationships with our stakeholders.

To do so, our information is delivered in a timely and clear manner so that the public can have an enlightened opinion about us.

Our relationship with the mass media is based on generating proactive contents, because we believe it is the most suitable channel to keep the public informed.

Our audiences

With a 360° approach to all the organization's audiences, from the External Communications, Strategy and Content management, and the Customer Experience and Strategic Relations Vice-Presidency, we coordinate the communication strategy so that each area can then oversee bringing it to its audience.



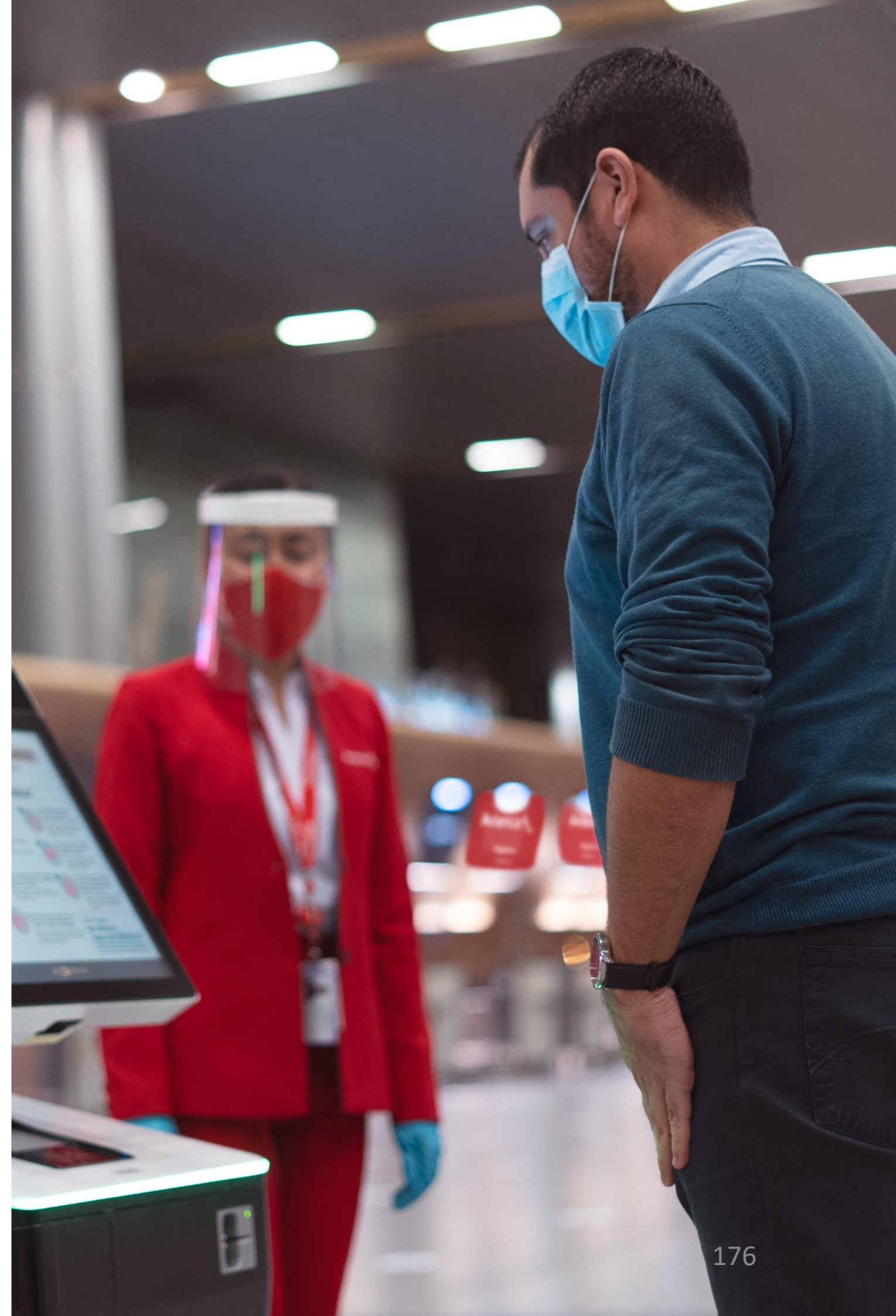


Understanding the importance of reputation, acceptance, and dialog for the company, we maintain timely and clear relationships with our audiences, in order to facilitate and guarantee the development of well-founded opinions of the business environment faced by the Holding company. These communications are based on four (4) pillars:

- 1. Prioritize audience:** In order to reduce uncertainty, the information was released first to our employees and, subsequently, to all other stakeholders.
- 2. Anticipate / be proactive:** We led the information agenda by bringing the information out on time and always transmitting a consistent message segmented by channels. This allowed us to anticipate and assure the company's official position in media publications.
- 3. Transparency:** We explain our decisions, their impact, and the solutions, in a clear manner, and we are always open to addressing any concerns. We communicate effectively, recognizing difficulties and opportunities for improvement.
- 4. Work together with the authorities:** We work jointly with other industry areas and players, portraying ourselves as part of a system. We perform interinstitutional work with authorities, concession holders and other players in the industry, to communicate in a coordinated manner and in line with our communications protocol.

Our channels:

- News center
- Avianca News e-mail
- Avianca's inflight magazine (suspended since April)
- Avianca.com
- Aviancaholdings.com (investors)
- LifeMiles.com (loyalty program)
- Social Media
- Direct e-mails to mass media and customers
- Avianca
- Sales News (travel agencies)





Our main topics in 2020

Chapter 11

We contributed to protect Avianca's Chapter 11 process, communicating in advance the positive progress of it, for each of the airline's stakeholders. These are the main topics we communicated on this matter:

- Announcement of acceptance to Chapter 11 by Avianca
- Avianca Peru's liquidation
- Announcement of the Government's loan to Avianca
- Avianca appeal to measure announced by the Cundinamarca Court.
- Debtor in possession DIP financing scheme approval
- Avianca will not use Government's loan

We achieved:

- 23 press releases
- 15 interviews
- 22 questionnaires to media
- 15 third party endorsement
- Free Press: USD \$43,074,945

Labor Measures

We communicated in advance changes in the Avianca structure, according to the business dynamics and future of the airlines, focusing on:

- Communication of the negotiations with company unions
- Restructuring communications of Streering Committee

Resizing of the company:

- Paper employment situation in the aviation industry
- Three (3) press releases
- Infographics industry situation
- 1:1 media explaining company position
- Monitoring and active listening

Union agreements

- 734 media hits with a positive tone of 97.86%
- Four (4) press releases
- Video and audio quotes from each spoke's person
- Featured publication in News Center.
- Monitoring and active listening
- Free Press: USD \$5,500,063

Executive appointments

- Relevant Information C Level Changes
- Press releases distributed in the main markets
- Press releases COO + Sales Director
- Monitoring and active listening

Ramp down/Ramp up

We communicated the changes led by the governments of the region and the passenger protection plan and networking aiming to recover the customers trust to fly again with a clear communication

We achieved:

- 294 media hits. With a neutral to one of 44.2% and positive tone of 33.8%
- 12 questionnaires to media
- 1:1 requirements with media outlets
- Free Press: USD \$512,238



In 2020, the main challenge was to communicate “Chapter 11” process in an effective and timely manner, while facing the pandemic and the inherent communication difficulties of it. In this regard, the corporate communication strategy was to:

- Promote an active and positive voice on business continuity.
- Proactively communicate the progress of Avianca's financing, mitigating voices against the airline.
- Be proactive with stakeholders.

In this case, we followed the logical communications required within this process, taking into account the key players, i.e. investors, suppliers and employees, thus:

Besides, other two topics were on our agenda this year: **the communication of labor measures** taken by the company and the **Ramp down and ramp up plan**. In this sense, our actions focused on:

- Driving a positive communication on labor agreements, having unions as a validating and positive voice of Avianca's process in the context of the effects of COVID-19, and releasing permanent news about labor measures as unpaid leaves, suspensions and restructuring process.
- Reinforcing biosecurity measures as a fundamental part of the restart of operations to guarantee recurrence on the public agenda by Avianca.



Main results 2020

2020 was a year of huge challenges, reinvention and adaptation. The most important events of the year were:

- Published news stories: 14,346 in 26 countries
 - Feeling: 16.2 % Positive, 66 % neutral y 17.7% negative.
- Successful communication of the progress made in “Chapter 11” plan, reaching 2,636 publications in all the markets.
 - Third-party Endorsement: In our communications, we managed to receive 35 third-party endorsements in the financial and operational, and fronts.
- Press releases, scripts, infographics and other pieces: 139 press releases, 88 question and answer scripts, 135 infographics, 30 pieces and 10 videos.
- Five (5) Avianca Talks webinars with guests of the tourism sector.
- 83 Interviews and 86 questionnaires and media requests
- Engagement with over 43 media companies from 26 countries

How did we adapt in 2020?

- We contributed to improving communications, particularly in connection with irregularities, both in departure lounges and on board.
- Our talks and joint work strategy with authorities and other players in the industry produced more timely communications, featuring third-party endorsements.
- Financially, we achieved permanent and timely communications at key moments: announcement of Chapter 11's filing, dialogue with unions advances and management of employees, suspension of operations as a consequence of the pandemic, financial issues as the need of a State's loan and all the situations this topic brought, and permanent news on operational reactivation and customer protection.

We made progress in the challenges we took on 2019

- We continued to position communication in other regions beyond Colombia, by achieving 8,177 stories in around 22 countries.
- We managed to get 97,8% of stories published in the media on the Chapter 11 and Restructuring plans to include the company's position, and in most cases the announcements included third party endorsements (15 in total).
- We kept rebuilding the trust with our stakeholders:
 - Media and Key Opinion Leaders: by keeping them informed on the crucial decisions the company had to make.
 - National Government: showing that Avianca is key to Colombia's connectivity, tourism growth and economic recovery.
 - Investors and shareholders: informing them about DIP updates and showing Avianca as a resilient company, making the right changes for the future.
 - Guilds and Travel agencies: working together and proving that Avianca's value proposition is competitive and contributes to the promotion of tourism and the reactivation of the sector.
 - Third sector: showcasing Avianca as an actor that contributes to the community and a key driver for development.
- We kept the communication to clients as a focus, supporting customer service areas strategies and developing contents that aimed to mitigate the impact of the current service troubles.

Our future 2021

2021 will be a critical year for communicating the adjustments that will have to be made in view of the new reality of a new traveler. To this effect, our proactive communications strategy will focus on operational excellence, financial sustainability, and customer relations.

In this sense, the following are the main objectives for the next year:

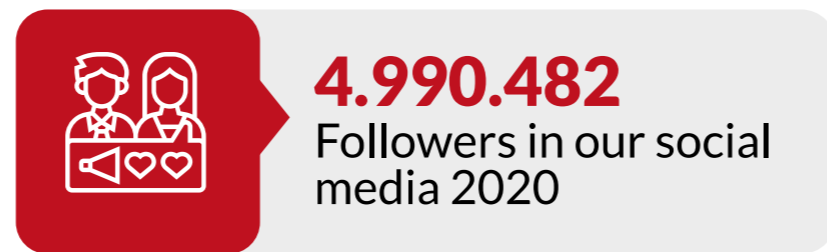
- Communicate the new business model. Our challenge is to show the changes as part of the company's adaptation to the challenges imposed by the pandemic and the industry's transformation.
- Communicate the progress made in the Chapter 11 process, keeping a proactive work with the media.
- Keep diversifying the company's spokespersons at the C-Level.
- Improve communications indicators associated with NPS at key moments in the Customer Journey.
- Migrate the news center to Aviancaholdings.com, in order to align its contents with the communications objectives and the intended audiences.



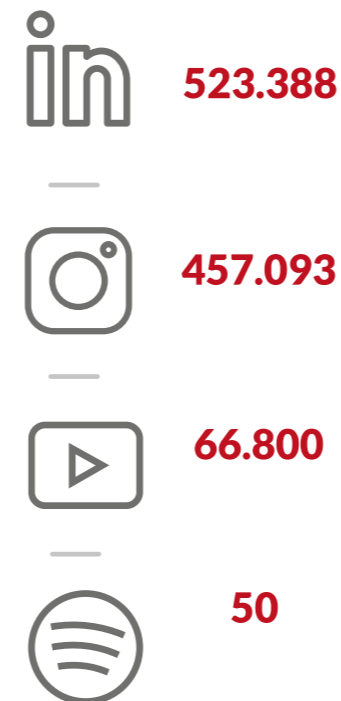


Connecting you through social media

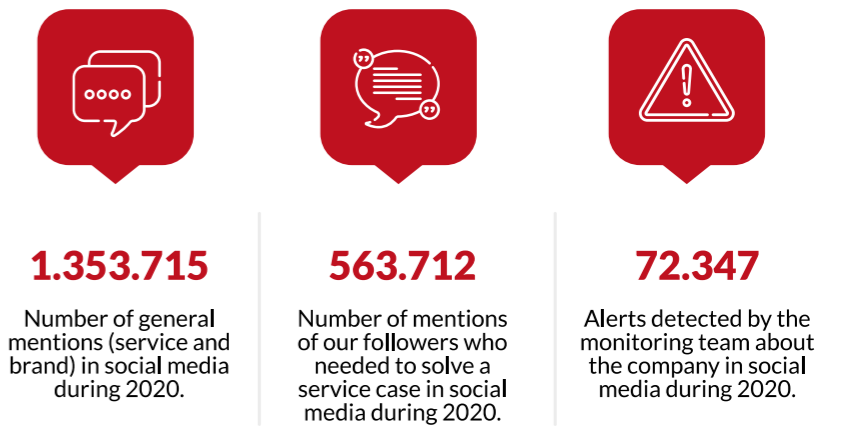
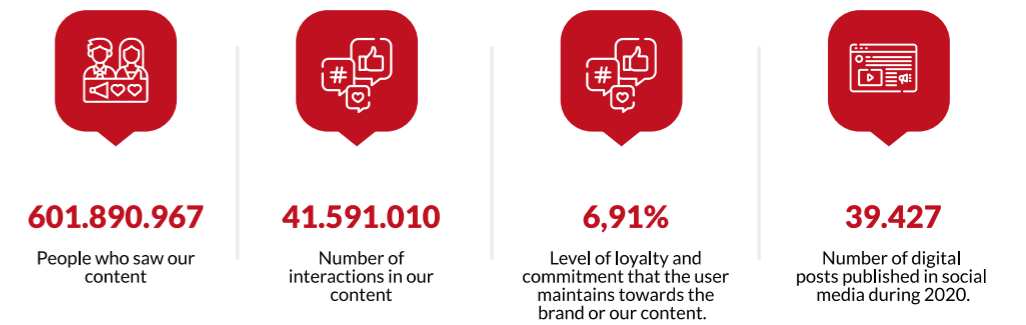
In 2020, the management of our social media allowed us to connect with our travellers through relevant and innovative content that was adapted to the context we were living in. This is how we closed our community this year:



Followers on each of our channels:



The challenge of generating a close connection with our passengers, providing solutions and interacting through relevant and informative content, in a difficult context, was achieved thanks to social media as our fundamental tool, and a great team, with whom we reached:



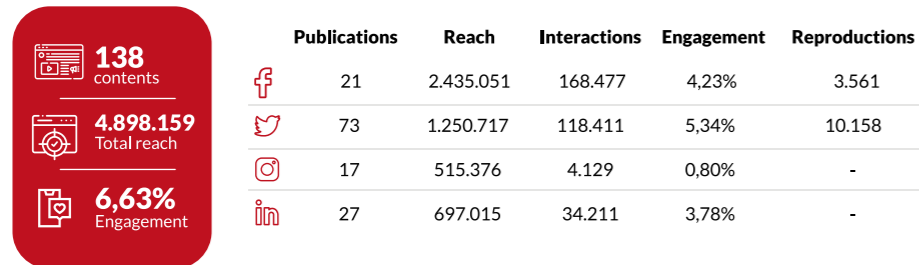
We achieved significant outreach at the company's major information and service milestones:

- | | |
|--|--|
| <ul style="list-style-type: none"> #RunTour2020 #AviancaTeCuenta #FelizDíaMamá #AviancaSeguiráVolando #SeguiráVolando #ExperienciasAvianca | <ul style="list-style-type: none"> #TBT #AvTalks #AviancaSigueVolando #SigueVolando #LoQueQuieresEsColombia #LoQueQuieresEsEcuador |
|--|--|

These are the campaigns focused on the context of the pandemic and the Covid-19 contingency.

Wings closure

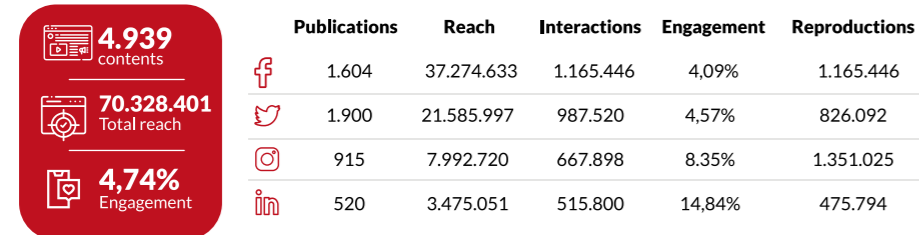
We share with our community, the closure of our wings and operation due to the pandemic, through informative and emotional content, highlighting that the most important thing is the passengers and reaffirming with hope that Avianca would fly again.



Covid -19

We generate educational, informative and interactive content, about preventive measures and actions, because of the pandemic, highlighting the management of biosecurity protocols and providing information for the care of travelers.

We created different informative campaigns which were transversal communication in all channels, content such as: #AviancaTeCuenta, #AtenciónViajeros, Bioseguridad, Sellos ICONTEC, BioDiccionario, My Avianca App, Bono flexible, Self check-in, Autogestión, Restriction of gels and liquids, Piezas Covid por país, Check Mig and Coronapp.



Wings opening

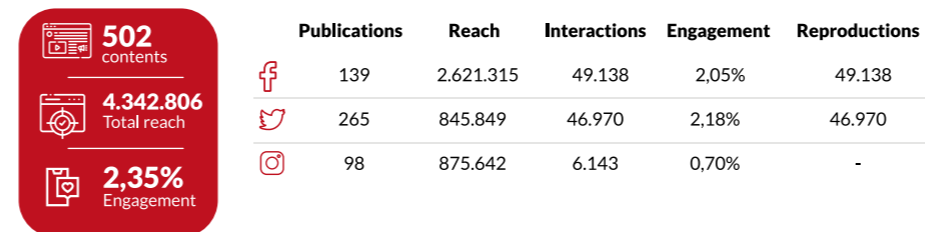
We carry out detailed coverage of all our flight openings in different regions and countries, sharing relevant information through interactive content, about the protocols and processes of biosecurity, generating confidence and helping each user to travel responsibly in this new normality.



COVID-19 CAMPAIGNS FOCUSED ON BRAND

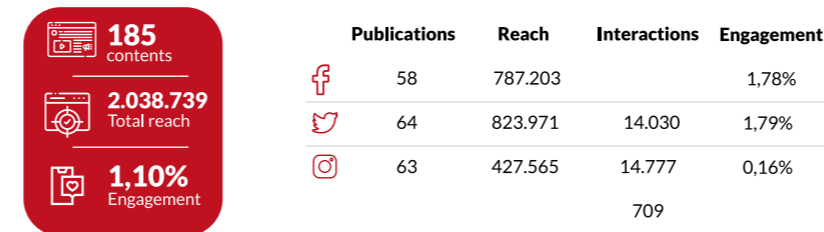
Virtual Tourism

We travel without taking off in a single plane and from home, through dynamic and interactive content, highlighting the gastronomy, art, culture and the best of our destinations, bringing people together and demonstrating that even in the contingency, Avianca was still flying.



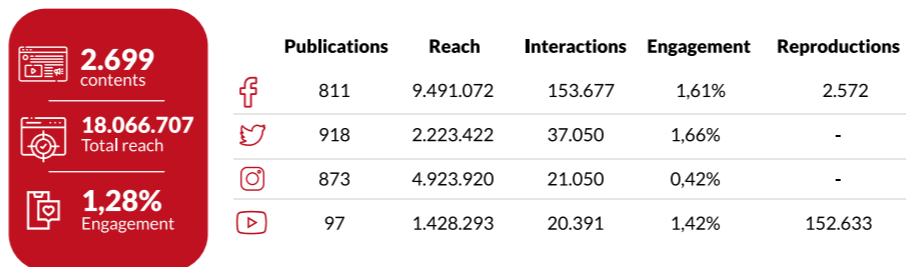
We Miss You Colombia

We remembered with love and passion, all those destinations in Colombia that we long to visit again, through interactive content and innovative formats, highlighting the holidays, customs and characters of this beautiful land.



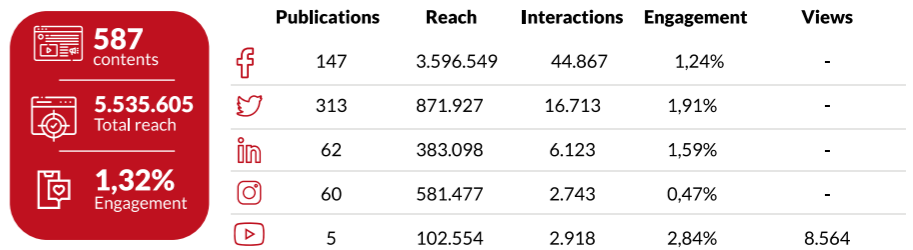
#ExperienciasAvianca

We shared the best experiences full of music, gastronomy, well-being and entertainment, through live transmissions with special guests, to fill the homes of our travelers with union and family moments.



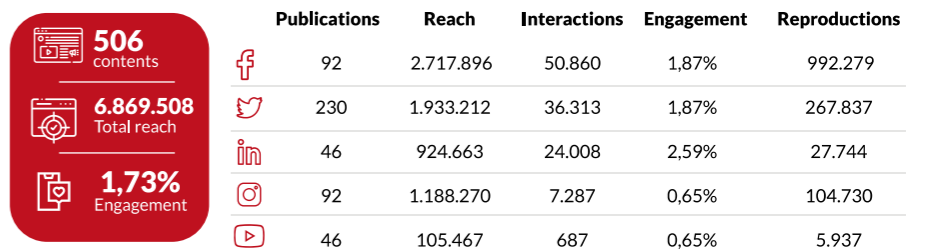
Avianca talks #AvTalks

We analyze and share the views of expert panelists, through live broadcasts, on the challenges and issues facing the airline and tourism industry in this new normality.



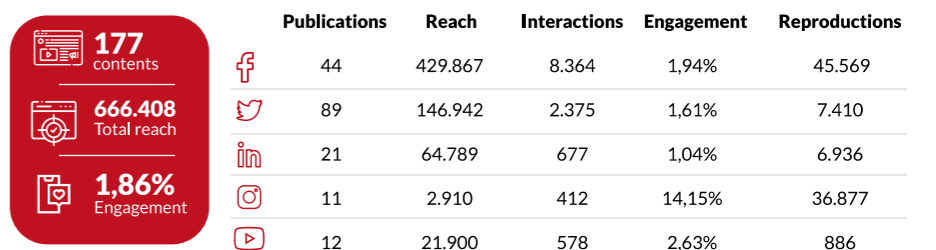
#LoQueQuieresEsColombia

After our wings opening, we encourage people to travel and support tourism, highlighting, through inspirational and emotional content in audiovisual format, the best plans, places and destinations in Colombia.



#LoQueQuieresEsEcuador

After our wings opening, we encourage people to travel and support tourism, highlighting, through inspirational and emotional content in audiovisual format, the best plans, places and destinations in Ecuador.



These are the recurrent and temporary brand campaigns, which are developed transversely to the context and events.

#RunTour2020

We share with our community Avianca's participation in support of Best Buddies, and all the coverage of the race, as well as the first version of the RunTour for children.

295 contents
3.101.170 Total reach
2,31% Engagement

	Publications	Reach	Interactions	Engagement
f	88	1.011.036	21.383	2,11%
t	121	1.110.410	21.172	1,90%
in	29	439.506	27.341	6,22%
ig	57	540.218	1.784	0,33%

Breast Cancer

#AviancaKeepsOnFlying

We share and demystify through different contents, formats and relevant data, everything related to breast cancer, encouraging and reminding our followers that the most important Self Check-in is their health. From October 19th to 30th, 2020

143 contents
946.753 Total reach
2,55% Engagement

	Publications	Reach	Interactions	Engagement	Reproductions
f	60	546.837	5.316	0,97%	20.810
t	53	237.943	2.892	1,21%	2.359
ig	30	161.973	15.979	9,86%	13.791

Independencies

#KeppsOnFlying

We proudly celebrate the independence of all our Latin American destinations, through innovative and interactive formats, highlighting Latin history, culture and greatness through content.

91 contents
593.896 Total reach
2,11% Engagement

	Publications	Reach	Interactions	Engagement
f	37	337.101	7.675	2,30%
t	43	203.703	4.143	2,03%
ig	11	53.092	719	1,35%

Mother's Day

#WillKeepOnFlying #FelizDíaMamá

We celebrate with Mom in her day, connecting people and remembering through emotional and interactive content that despite the distance and context, unconditional love keeps on flying.

23 contents
216.759 Total reach
1,74% Engagement

	Publications	Reach	Interactions	Engagement	Reproductions
f	13	54.892	1.748	3,18%	11.626
t	10	161.867	1.922	1,18%	32.115

Father's Day

We celebrate with Dad, certifying his dedication and love for learning to fly from home in the contingency, through emotional and interactive content, remembering that love will keep on flying.

253 contents
2.596.909 Total reach
4,37% Engagement

	Publications	Reach	Interactions	Engagement
f	65	1.149.001	59.186	5,15%
t	130	422.646	11.558	2,73%
ig	58	1.025.262	42.812	4,17%

#TBT

#AviancaSigueVolando

We remember with great pride all the milestones and moments we have lived in the skies for 100 years, through our tbt, reaffirming the commitment and passion of flying for another 100 years.

314 contents
7.877.503 Total reach
2,95% Engagement

	Publications	Reach	Interactions	Engagement
f	68	3.192.201	172.513	5,40%
t	164	830.571	38.871	4,68%
in	41	572.634	7.007	1,22%
ig	41	3.282.097	14.522	0,44%

Happy Holidays

#KeepsOnFlying

We remember through emotional and interactive content, all those reasons why we keep and will keep on flying in 2021, thanking our community and wishing them happy holidays.

192 contents
1.280.017 Total reach
1,03% Engagement

	Publications	Reach	Interactions	Engagement
f	50	440.909	6.215	1,40%
t	95	160.555	6.116	1,87%
in	13	464.007	528	1,14%
ig	34	214.546	379	0,17%

101 Aniversary

#AviancaKeepsOnFlying

We celebrate and remember our trajectory as the Latin American airline with most history and experience, thanking our travelers and stakeholders for their important work, since it is because of them that the dream of continuing to fly for 100 years more is kept alive.

292 contents
1.813.442 Total reach
1,23% Engagement

	Publications	Reach	Interactions	Engagement
f	77	655.467	12.632	1,92%
t	131	325.741	6.116	1,87%
in	29	120.255	1.761	146%
ig	55	711.979	1.869	0,26%



**Generating a positive
impact on the society**

At Avianca, we work every day with the purpose to generate a positive impact in the societies we serve. We build our strategy based on the commitment and conviction that a corporate excellence will enable us to generate long-term value for our company and our stakeholders.

We achieve this by engaging and cooperating with different organizations that contribute to the fulfillment of shared goals and objectives regarding the promotion of social development and the care of the planet. So, the achieved contribution will go beyond the economic dimension and will allow us to generate social and environmental value. Through our strategy, we measure the impact of our activities and projects, identifying risks and opportunities for the company and society.

Our alliances with strategic organizations

To fulfill our objective, we kept working with different organizations that are widely recognized for their reach and impact on society.

GRI 102-12; Own indicator: Engagement and participation in fundamental scenarios of Corporate Citizenship

Generation Unlimited

We are part of the directory of Generation Unlimited, a multi-stakeholder initiative which aims to contribute through solutions to promote the development of skills and competencies that facilitate the education, learning, training or employment for new generations by 2030, in line with the Sustainable Development Goals (SDGs).

To this effect, Avianca participated in all the meetings to create synergies around the world with different industries, building a strong platform to exchange knowledge and learning best practices to generate positive impact on young people.



One Young world (OYW)

One Young World identifies, promotes and connects the world's most impactful young leaders to create a better world, with more responsible and more effective leadership.

Make a Wish

We are partners of the Make a Wish (MAW) Latin America social organization, which helps make dreams come true for children and teenagers with critical illnesses in over 50 countries worldwide. Making these wishes a reality helps the children view their disease differently, and helps their families to believe again, to fight and remain united.

International Federation of Red Cross and Red Crescent Societies

We support the response to natural disasters and social emergencies on the routes we operate. We work together with the Red Cross and Red Crescent Societies of the Americas in the air transport of humanitarian aid to assist affected populations or transporting rescue personnel.

Food Bank

We join the Food Banks in America to bring food to the most vulnerable people in the region, contributing to the Sustainable Development Goal # 2 Zero Hunger.

Aldeas infantiles (Children villages) SOS Colombia

We support the families of the Foundation's villages in Colombia through donations in kind such as blankets, textiles and other supplies in good condition that are delivered after completing their useful life in the operation. Aldeas Infantiles is responsible for the proper selection and distribution of these items to meet the main needs of the people depending on the season and the item that is being donated.

In 2020, we managed to consolidate our commitment to high-impacting social organizations and worked together to achieve our purpose.

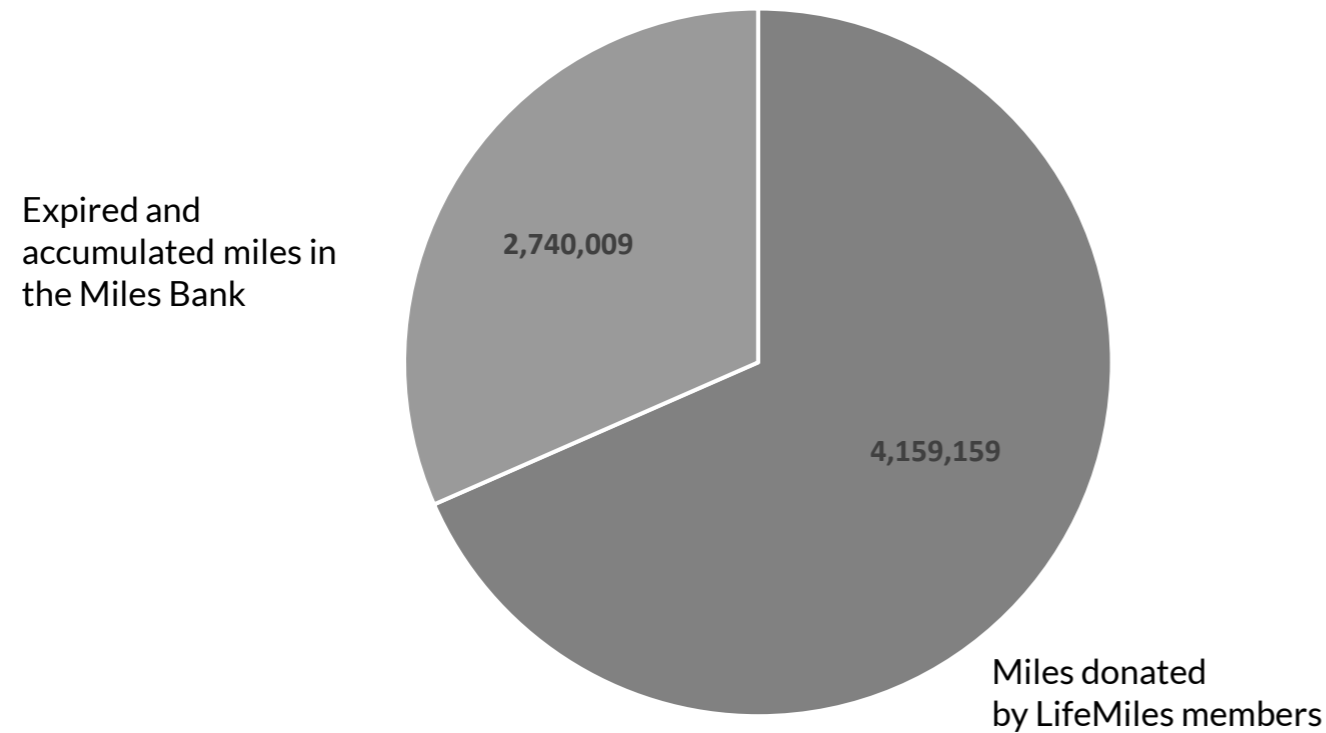
Our social programs

Through our social programs, we promote and develop initiatives to construct social value for our stakeholders, providing platforms for social investment to: Make dreams come true for our children and teenagers, give hope to those who seek a second opportunity for life, provide humanitarian assistance in the event of natural disasters and social emergencies.



Miles Bank

Through this program, we connect the children and adolescents from the most vulnerable societies in Latin America to healthcare services, including high-complexity surgery and treatments. We accumulate the miles through 2 different channels: a percentage of expired miles from prior periods and miles donated by our LifeMiles members.



Total: 6,899,658
Bank Miles redeemed by the program: 11,600
The tickets granted are valued at: USD 3,828



Children for America

We connect the children and adolescents from the most vulnerable societies in Latin America to be a part of a unique flight experience with Avianca.

The purpose is to make the dreams come true for children with:

- High-complexity diseases or guarded prognosis
- Outstanding academic performance, whose trip involves: a recognition, an award or a distinction by an educational establishment, a student scholarship, or with the objective of sharing research, studies or projects that contribute to community development and caring for the environment.

Tickets granted during 2020: 21 tickets
Value of tickets granted: USD 6,400



Solidary Avianca

We support the response to natural disasters and social emergencies on the routes we operate. We work in the air transport of humanitarian aid to assist the affected population or transporting rescue/medical personnel.

Initiatives carried out in response to the emergency due to COVID-19

Foodbank

In the context of COVID-19 emergency, at Avianca we continue working to support the Food Banks around America, through the donation of food units that could not be used on our on-board service due to the temporary suspension of operations.

We have delivered more than 460,000 units of food, valued at USD 75,957 benefiting thousands of people in Colombia, Ecuador, Guatemala, El Salvador, Costa Rica, and Peru. For this, we have received 2 recognitions from the Food Banks of Guatemala and Ecuador, which further motivate us to continue helping the communities in the countries where we operate.

Colombia	313,512
Ecuador	53,188
Guatemala	10,250
El Salvador	57,304
Costa Rica	21,418
Peru	6,495



"The year 2020 was very hard for many people in vulnerable situations. Thanks to partners like Avianca, food banks have been able to assist not only people during the pandemic but also those affected by Hurricanes ETA and IOTA in the region. We are very grateful to the entire AVIANCA team that has made it possible for food to reach the people in need."

Alfredo Kasdorf. Regional Consultant for Latin America. Food Bank.

Humanitarian Flights

After the closure of air borders and the consequent suspension of operations in different countries due to COVID-19, many people who were outside did not manage to return to their places of residence. In this way, we worked together with the different governments, embassies, and consulates to achieve the operation of repatriation flights with the operation of more than 518 flights to different parts of the world.

Additional to the operation on regular routes, we operated routes that had never been flown before to destinations such as Shanghai, Zurich, Vienna, Brussels, Toronto, Atlanta, and Houston. Likewise, during the special flights' operation Avianca returned to destinations operated in the 1950s and 1960s such as Paris and Rome.

Initiatives carried out to attend population affected by Hurricane IOTA in San Andrés and Providencia and Hurricane ETA in Central America:



Solidary flight to San Andrés and Providencia

Through the campaign 'Ayudar nos hace Bien' (Help make us better), the Presidency of the Republic of Colombia, Solidaridad por Colombia Foundation, Avianca and Terpel joined efforts to transport 27 tons of human aids to San Andres and Providencia.

In a passenger Airbus 330 we transported staple foods such as: milk, rice, coffee, among others. These supplies were distributed by the Government of San Andres and Providencia to the affected people by the IOTA hurricane.



Deprisa

Deprisa mobilized 48.5 tons in donations for the Pro Archipiélago Foundation

Most of the donations received are non-perishable food, towels, sheets, mats, clothing, shoes, cleaning supplies and medicines.

At a point of sale in each of the main cities of the country, Deprisa set up "Collection Centers" to receive donations from clients and thus help the difficult situation that the San Andrés and Providencia Islands went through, after the passage of Hurricane Iota.



International Federation of Red Cross and Red Crescent Societies and Colombian Red Cross

A campaign was launched to collect economic resources for people affected by the IOTA hurricane in San Andrés and Providencia and ETA hurricane in Central America. This initiative was led entirely by the International Federation of Red Cross and Red Crescent Societies and Colombian Red Cross and promoted among Avianca Holdings' employees. In 2020 25 CHF were collected and the campaign will be open during the first few months of 2021.

"We live in challenging times when creativity, collaboration and partnerships are key to fulfilling our mission: to improve the lives of vulnerable people by mobilizing the power of humanity. We are very grateful for the efforts of individuals and companies like Avianca that help the Red Cross continue to bring humanitarian aid and services to the most vulnerable communities."

Marion Andrivet, Partnerships & Resource Development in Emergencies Manager for the Americas Regional Office. International Federation of Red Cross and Red Crescent Societies

We are delighted with the wide participation of the community in this initiative, their solidarity and cooperation in these difficult times for the people of the San Andrés and Providencia Islands is reflected in the donations made. We hope to continue contributing with our operation and help those who need it most.

Susana Argueta, General Director Deprisa



Colombian Red Cross

Avianca transferred a group of 11 experts from the Red Cross focused on restoring communication between people reported missing and their families. Likewise, they led health days and delivery of basic needs aid.

“For the Colombian Red Cross, working with Avianca has represented a very important added value for our response operations. The possibility to count with a partner that can support our logistics, guarantee that we can provide a fast and quality attention to the communities affected by emergencies.”

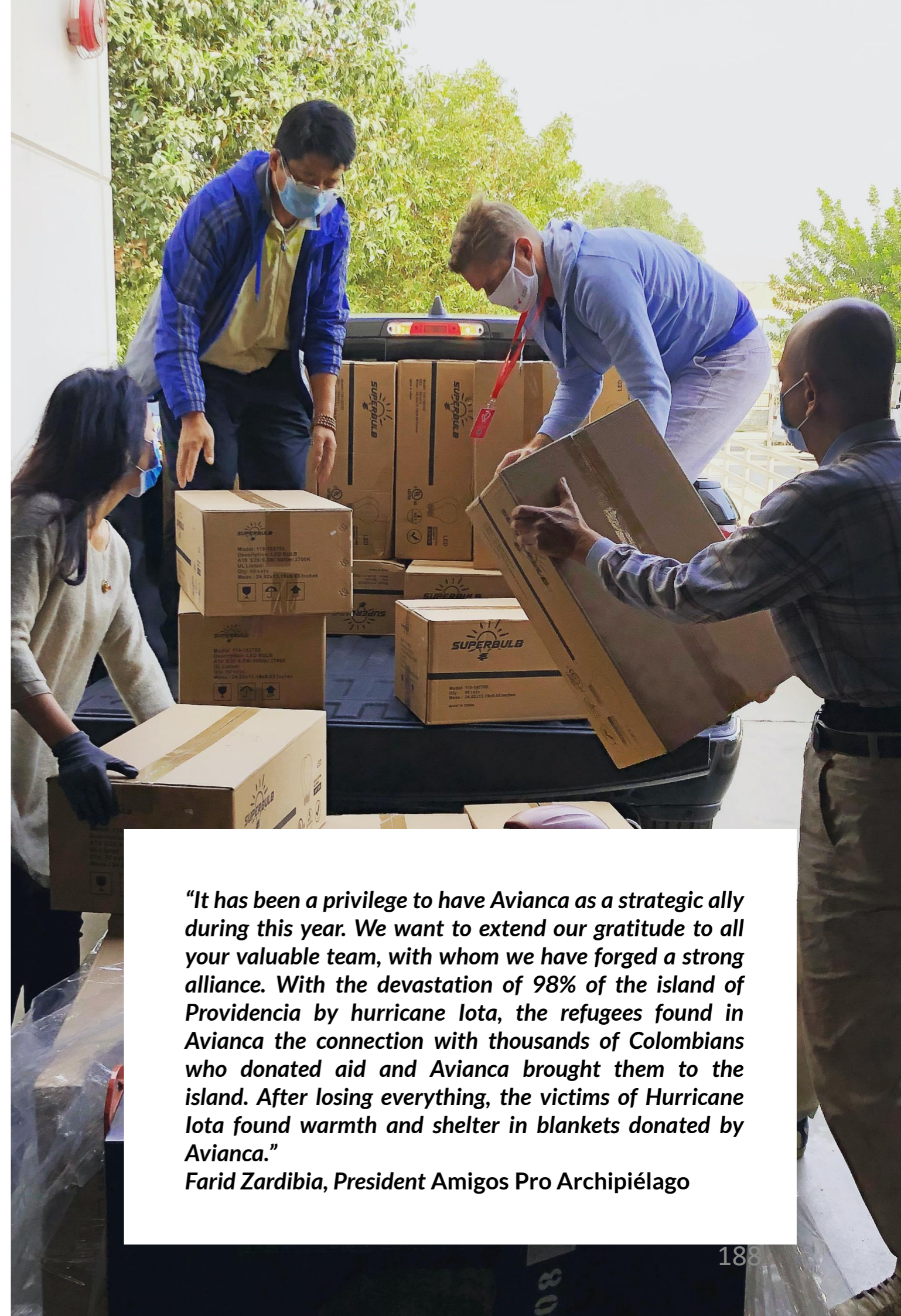
Judith Carvajal de Álvarez, National President of the Colombian Red Cross



Amigos Pro Archipiélago Foundation

This Foundation works for the care and well-being of people at risk on the San Andrés, Providencia, and Santa Catalina Islands. It was founded as a result of the COVID-19 emergency and has led the official deliveries of blankets and other supplies transported by Deprisa. Avianca donated 3.7 tons of blankets and pillowcases from its boarding service.

In addition, through Avianca's Stakeholder Engagement and Sustainability Directorate we managed the transfer of a group of five (5) rescue experts from the ProArchipiélago Foundation to care for the affected people on the island.



“It has been a privilege to have Avianca as a strategic ally during this year. We want to extend our gratitude to all your valuable team, with whom we have forged a strong alliance. With the devastation of 98% of the island of Providencia by hurricane Iota, the refugees found in Avianca the connection with thousands of Colombians who donated aid and Avianca brought them to the island. After losing everything, the victims of Hurricane Iota found warmth and shelter in blankets donated by Avianca.”

Farid Zardibia, President Amigos Pro Archipiélago



CATAM (Comando aéreo de transporte militar for the original spanish)

Avianca and Deprisa supported CATAM in the air transport of nine (9) tons of staple food kits for the affected people in San Andrés and Providencia.

Other initiatives of the Solidary Avianca Program:

Vice Presidency of the Republic of Colombia

Avianca and Deprisa managed the transfer of 22 kilograms of donations for the population affected by the floods in the city of Cartagena, Colombia.

Aldeas Infantiles SOS Colombia

We delivered 4,048 units of on-board service blankets to support the families that are part of the Aldeas' villages, with the purpose to improve their quality of life. This donation is valued at USD 23,820.

"On behalf of the children and families at SOS Children's Villages Colombia we send our warmness greetings and thanks to Avianca and all its coworkers. Thanks to Avianca we have been able to support thousands of children all over the country. The 7 years of continued cooperation have transformed lives of children at risk of losing their families and has provided a loving home for those children that have lost their family and that now required a new place to start a new life.

We also thank their continue support in our emergency responses and their help whenever there has been a crisis affecting children and families in the country. Thanks Avianca because you provide a loving home for every child in our country and you support the children so that they live with happy memories of their childhood."

**Angela Rosales - National Director -
SOS Children's Villages Colombia**



TAAP Foundation (Taller de Aprendizaje para las artes y el pensamiento, for the original spanish)

Organization dedicated to work with vulnerable populations such as: migrants, displaced people, and victims of the armed conflict, through art and the development of the thinking on the construction of peace, innovation, and education. Avianca donated 1,926 units of on-board service blankets, quantified at USD \$ 10,611.





Organ transport

Avianca has played during several years a central role in organ transport, allowing more people to receive transplants on time in Colombia. As the COVID-19 brought a huge challenge for the airlines around the world, Avianca had to reinvent itself to respond effectively to this process, being the only airline in the country that provides organ transport support through the route network.

We have an internal procedure in place that enables our immediate reaction, while assuring adequate handling and transportation from the point of reception to the high-priority delivery at the destination. This initiative has been developed with the support of government institutions and civil society organizations, with whom we took on the commitment of saving and improving the quality of life of people who are on waiting lists for organ transplants.

At Avianca, our domestic flights have transported 6 organs (3 livers, 2 kidneys and 1 hearth) and 9 organs samples¹ at no charge during 2020. Our allies to transport organs in Colombia are the National Institute of Health (INS, for the Spanish original and the Transplant Network in Colombia.



We celebrated our 101 years

We celebrated Avianca's birthday with some children of the Make a Wish Foundation and two pilots (from Colombia and Salvador) through the "Avianca Experiences" platform. Through fun and creative questions, the children interviewed our pilots about the history of Avianca, fun facts about aviation and about their personal experiences as pilots. At the end of the interview, Avianca's birthday was sung, and best wishes were asked for this year that the airline celebrates.





Run Tour

In the first quarter of 2020, the eighth version of the Avianca RunTour was held, an athletic race that inaugurates the international route calendar of the Colombian Athletics Federation. The money raised through the donations made by the runners, corresponds to COP \$ 1,160,000 and was allocated to the Best Buddies Colombia Foundation and its labor inclusion program of people with different abilities.

Avianca, through its Stakeholder Engagement and Sustainability strategy and its "Inclusion and Diversity" program, encourages the labor inclusion of people with different abilities, highlighting the importance of generating social and labor opportunities for the "Best buddies" in the country.

Participating in the RunTour 2020, is to understand that in each mile that I run, I leave my mark and my heart for the labor inclusion of people with different abilities.

Dow Jones Sustainability Index (DJSI):

Avianca received a recognition for the fourth consecutive year, in the Dow Jones Sustainability Index - MILA Pacific Alliance. This index represents companies' commitment to sustainable management, addressing the best financial, social and environmental management practices relevant to the investor community. Avianca is therefore one of the leading companies due to its corporate sustainability performance, and it is in **seventh place among the most sustainable airlines in the world according to the index.**

How did we adapt in 2020?

Regarding the pandemic and the natural emergencies that occurred during the year, the Stakeholder Engagement and Sustainability strategy became highly relevant in its purpose of serving the most vulnerable populations in Latin America.

Avianca was able to strengthen its in-kind donations program with the

purpose to generate a positive impact to the population that has been affected by the global economic crisis.

Avianca responded effectively by supporting through humanitarian flights, the transport of people who needed to return to their country of origin.

We made progress in the challenges we took on 2019?

We implemented the Avianca Holding's in-kind donations procedure.

We implemented different high-impact social and environmental projects/actions, which enabled us to strengthen our strategy, pillars and cross-cutting actions.

Our future 2021

Consolidate the Holding company's Gender Equality strategy with specific actions, indicators, committees and guidelines.

Incorporate into our Risk Management System the results obtained from the risk assessments and the impacts of the human rights due diligence process.

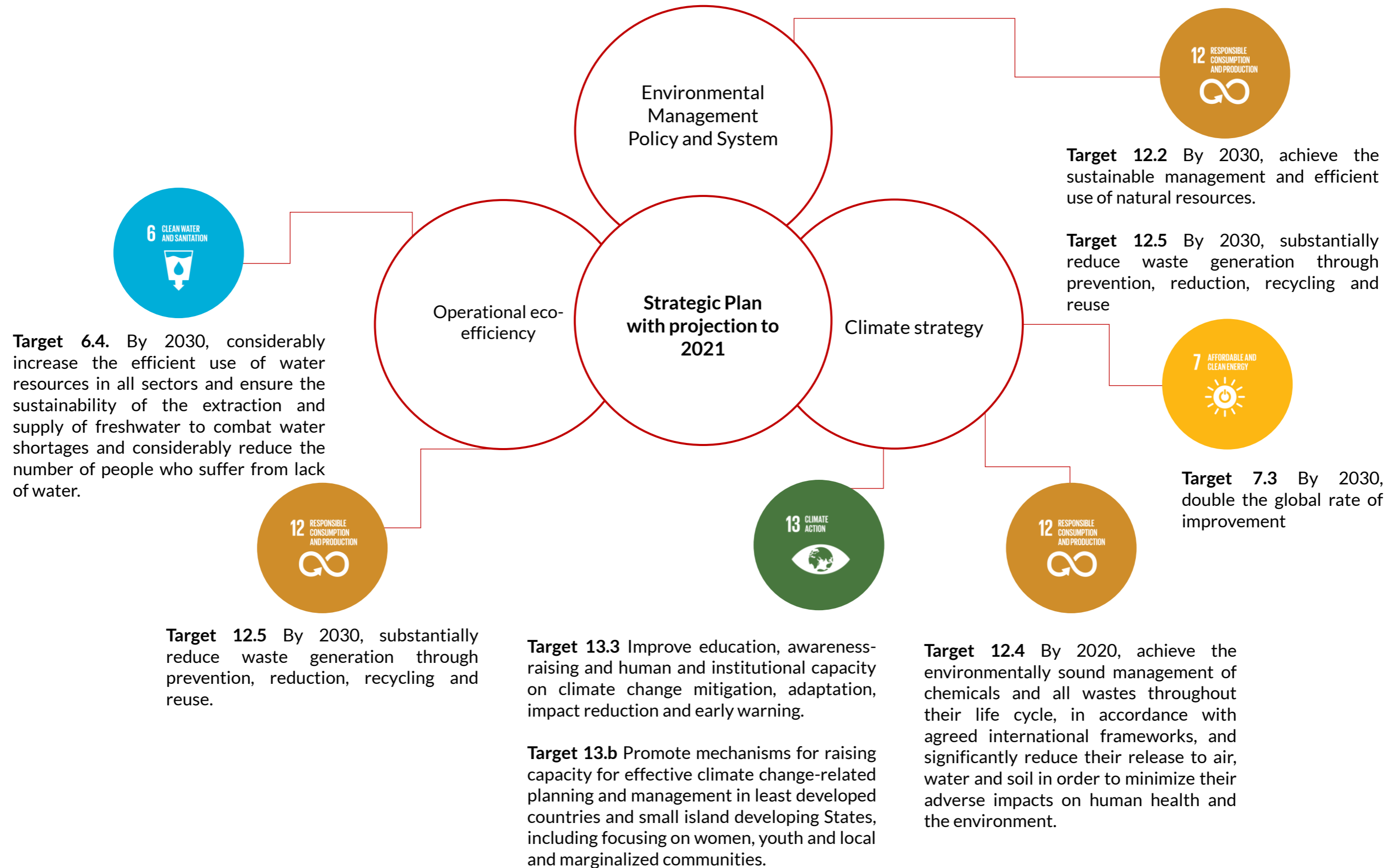
Work with high-impact social/environmental organizations that enable us to strengthen our strategy.

Continue to develop and implement actions that value differences as part of an inclusive work culture and through actions of inclusion and diversity.






**Environment, building a
future together**

Pillars





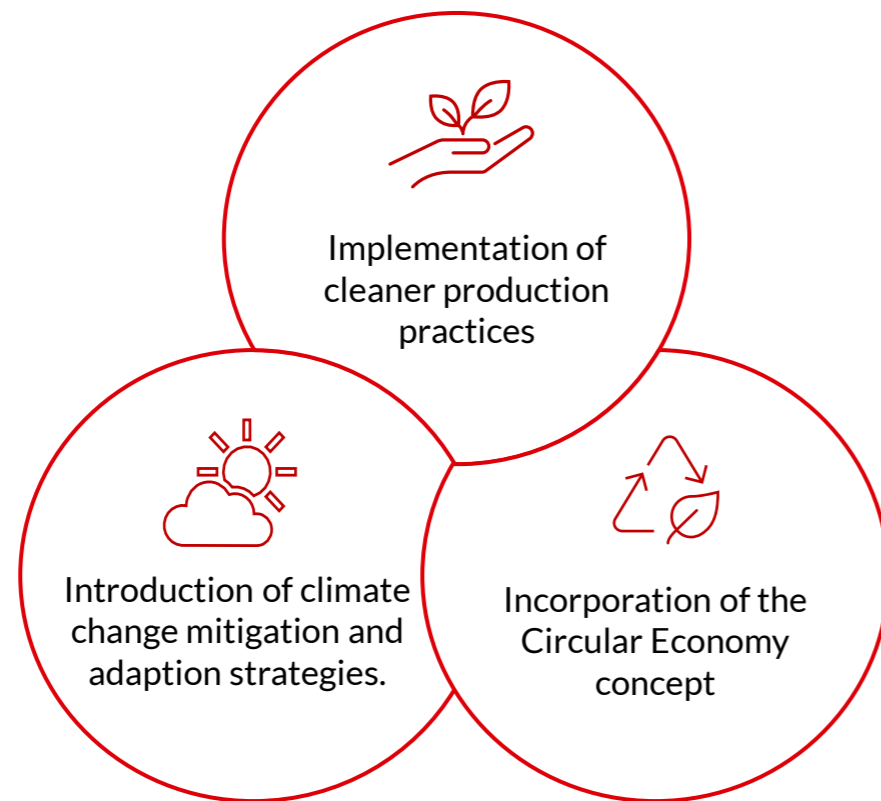
Environmental Goals

	Topic	Goal	Target 2020
	Waste management	<p>Increase the use of non-hazardous waste as a proportion of total waste generated.</p> <p>Increase recovery of hazardous waste as a proportion of total waste generated</p>	<p>37% of the total waste generated.</p> <p>67% of the total waste generated.</p>
	Generetions of emissions.	Reduce aircraft emissions, expressed in kilograms of CO2 per 100 revenue passenger kilometers (RPKs)	1.5% less than reported in 2019
	Fuel consumption	Reduce the fuel consumed by aircraft operations per 100 revenue passenger kilometers (RPKs)	1.5% less than reported in 2019

Environmental Management policy and system

At Avianca, we reiterate our commitment to sustainable development, which is why we work continuously to implement operational control mechanisms for our activities, allowing us to mitigate significant environmental risks and achieve a balance with the environment and society.

Our environmental management system contributes to the company's sustainability through the implementation of strategies that in each of its actions seek to prevent environmental pollution and comply with legislation and other applicable environmental commitments, through:



In 2020 we worked on improving the capacity of the system to achieve the targets set by the senior management regarding:

- Strengthening operating controls.
- Reduction of emissions and recovery of waste, as well as the proper management of waste generated by COVID-19.
- Establishment of environmental controls and requirements for suppliers in pre- contract stages.
- Comply with the environmental legislation applicable to each of the stations where we operate.





Commitments of our environmental Policy

The management system is aligned with our Environmental Policy, which reinforces the commitment of all the holding company's airlines to protect the environment and to use natural resources in a sustainable manner

Reduce consumption of fossil fuels and implement strategies to mitigate and adapt to climate change.



Reduce the environmental noise produced by aircraft.



Reduce the amount of hazardous and conventional waste sent for final disposal.



Implement pollution prevention mechanisms in activities carried out.



Comply with applicable environmental legislation and other environmental commitments taken on by the airlines that are part of Avianca Holdings S.A.

Continuously improve environmental performance.



Promote the environmental commitment of employees, suppliers, contractors and clients.



To put into practice and apply the Environmental Policy, management, and strategies, we have a Corporate Directorate of Health, Safety and Environment (HSE) in each of our operating companies, through which the general guidelines are made known, and the best environmental practices are standardized in all areas of operation. This directorate is part of the General Human Resources Directorate.



GRI 102-11

We strategically manage our activities to protect the environment based on the precautionary principle. We carry out preventive actions through the periodic identification of environmental impacts and aspects in the existing processes, as well as in the new processes and infrastructure projects.

The development of these activities is executed through the implementation of the PDCA (Plan, Do, Check and Act) cycle, aligning it with the Company's Three Lines of Defense Model, which guarantees that from the first line, the owners of the processes prevent, control and take ownership of the environmental risks derived from their activities. The environmental management as the second line is responsible for monitoring the controls administered by the first line and providing guidance in risk management.

Our methodology for the identification of environmental aspects and impacts allows us to evaluate routine activities, planned changes, analyze activities under abnormal conditions and emergency situations that may arise in all our processes. The identification is socialized with the owners of the process in order to ensure the implementation of the relevant controls to such aspects and impacts identified; this identification is performed at least once a year by professionals in environmental and related sciences.

The environmental aspects identified for Avianca Holdings are:



Air maintenance centers:

- Generation of non-hazardous and hazardous waste
- Fuel consumption by emergency electric generators
- Water and electricity consumption
- Generation of discharges
- Use of chemicals



Administrative centers:

- Generation of non-hazardous and hazardous waste
- Fuel consumption by emergency electric generators
- Water, energy and paper consumption
- Generation of discharges



Air operations:

- Generation of non-hazardous waste on domestic flights
- Fuel consumption
- Greenhouse gas emissions
- Noise generation



Ground operations:

- Generation of waste with potential biological risk
- Fuel consumption
- Greenhouse gas emissions
- Noise generation by operation of equipment
- Water consumption in the cleaning of aircraft and equipment
- Generation of discharges





We have improved our environmental management, incorporating the Circular Economy concept into our strategy, with the aim to optimize operational efficiency, comprehensively managing natural resources, processes and the waste generated by our activity.

To achieve the transition from a linear economy to a circular economy, we worked on cultural change of workers, optimization of our internal processes and inertia with value chains, which has allowed us to reduce our environmental impacts and to respond to global environmental challenges, as well as the objectives established for the aeronautical sector on climate change issues.

Within our processes we are already implementing initiatives based on the Waste Valuation Models, Circular models through industrial symbiosis (reuse of products and materials to close their cycle through strategic alliances with suppliers) and Models to extend the useful life (eco-design, redesign of products and processes), we also work with our strategic suppliers to achieve sustainable supply chains, an important vehicle for the circular economy.

This concept of circular economy is also an integral part of the United Nations' Sustainable Development Goals (SDGs).

In addition to our commitment to comply with the environmental legal obligations in the regions where we operate, we have environmental records and permits that additionally enable us to ensure the company's sustainable management. As a result of this, all inspections carried out by the environmental and airport authorities in 2020 were satisfactory and we did not receive environmental penalties.

Since 2009, the environmental management system of our maintenance operations in Ecuador were certified under the ISO 14001:2004 standard, and throughout the period from 2016 we have implemented the ISO 14001:2015 certification plan at the main stations.

Own indicator: Environmental breaches



In 2020, we did not incur in any fines of more than USD 10,000 related to non-compliance with legal environmental requirements.

Own indicator: Environmental expenses and investments



In 2020, they amounted to USD 352,749. They were for:

- Waste management
- Legal advice
- Update of legal environmental matrices
- Environmental Monitoring



In 2020 we invested USD \$ 812,424.52 USD. divided as follows:

Station	Initiative	Description	Amount (USD)
Colombia	Carbon credits	Carbon offsetting	809,561
Colombia	ISO 14.001 certification	ISO 14001:2015 certification	2,863.52

How did we adapt in 2020

- Our Environmental Management System was certified under the ISO 14001:2015 international standard, validated by IQNET in the stations of Quito, Guayaquil, Rio Negro (MRO) and work centers in Bogotá (Avianca Administrative Center and Operational Center of Excellence).
- The control of environmental risks from the first line of defense was key in 2020, as well as correct waste management, optimization of our resources and good operating practices based on cleaner production (CP) principles.

We made progress in the challenges we took on 2019

- We continued working on strengthening the controls for environmental compliance of suppliers and contractors.
- We continued raising our employees' awareness through the implementation of our risk model.

Our future 2021

- Global priorities are mainly focused on environmental issues, which is why Avianca's challenges and future actions are aligned with these, becoming a more sustainable company every day.
- Keep working on the voluntary commitments that we are part of and that allow the continuous improvement of the environmental management system.
- Continue to strengthen the basis of environmental legal compliance at each of the stations where we operate.
- Work towards compliance with the exclusive environmental requirements of the aeronautical sector.
- Respond to contractual environmental requirements with corporate clients, financial institutions and airport operators.

Climate strategy

According to the International Energy Agency (IEA), CO2 emissions from aviation sector have increased rapidly in the last two decades, reaching approximately 2.8%¹ of global CO2 emissions in 2019. Since 2000, commercial passenger flight activity has increased by approximately 5% annually, while CO2 emissions have increased by only 2% annually. Investment in new technologies, adoption of operational efficiency measures, and implementation of fuel conservation techniques adopted by commercial airlines has allowed to maintain emissions growth at a lower rate than passenger growth.

Air transport has become an essential element in today's way of life and the strong growth in demand prior to the current COVID-19 pandemic indicates that efficiency must continue to improve at the same rate as in the past to minimize the effect on climate change.



1. <https://www.iea.org/reports/aviation>



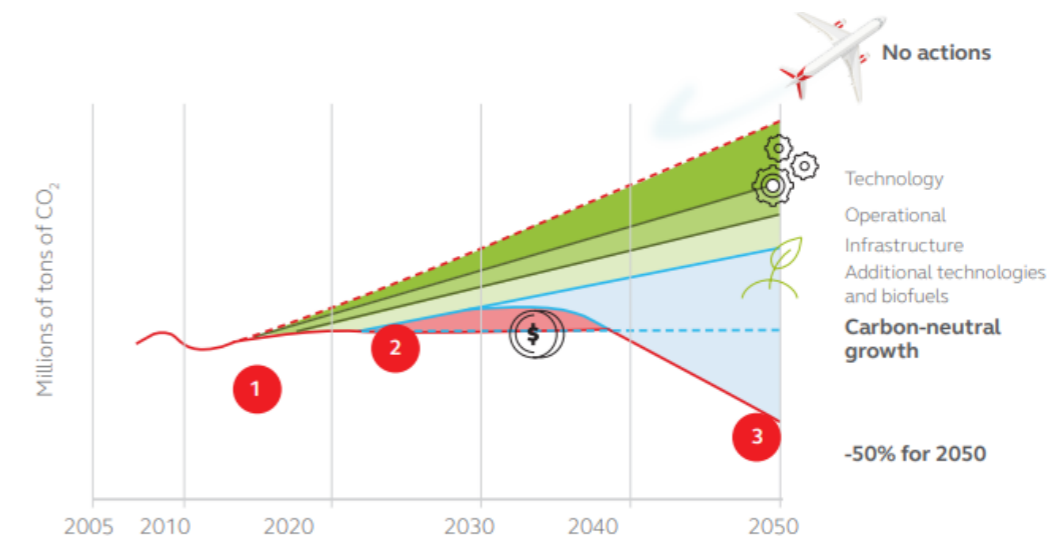
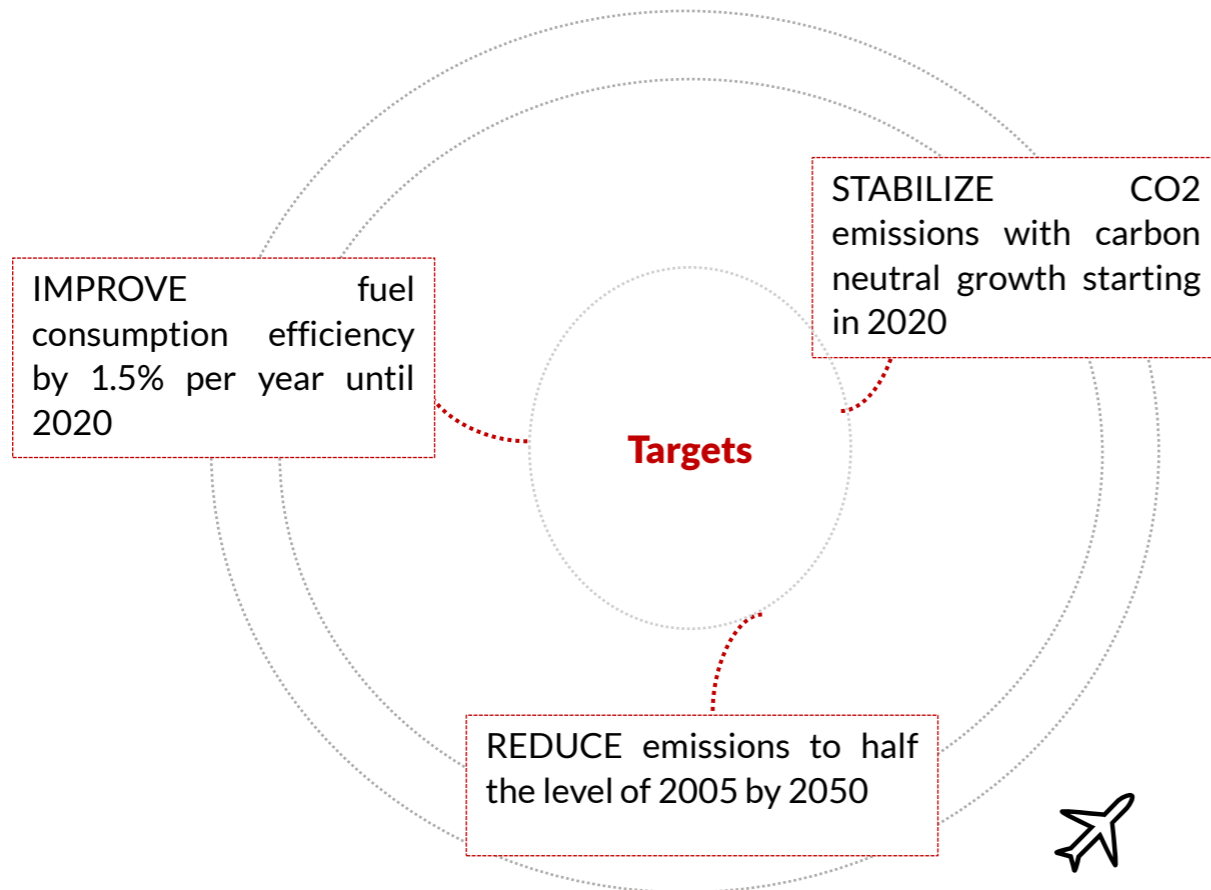
Aviation Industry strategy

Pillars

- ♥ Investment in new technology
- ♥ More efficient infrastructure
- ♥ More effective operations
- ♥ Positive economic market measures

Aware of the importance of change our behavior patterns related to the burning of fossil fuels, at Avianca we work on the implementation of fuel conservation strategies that contribute to achieving the industry's CO2 reduction objectives and reducing operating costs. Our fuel conservation program "Avianca Fuel" is aligned to meet the goals defined by the International Air Transport Association (IATA) previously mentioned.

Targets of airline industry regarding climate change



- Technological knowledge, operations and infrastructure measures
- Economic measures
- Emissions with "no actions"
- Biofuel and new technological generation
- Net emissions trajectory

- 1 Improve the efficiency of fuel consumption by 1.5% per year until 2020.
- 2 Stabilize CO₂ emissions with neutral growth from 2020.
- 3 Reduce emissions by up to 50% in 2050, compared to 2005 levels.



Energy Consumption

The main energy consumption from non-renewable sources is Jet A1 fuel for the operation of aircraft, which accounts for 99.8% of the total energy consumption. To achieve the targets, “Avianca Fuel” program has adopted a strategy that involves all areas of the company that are related to the fuel management, and is based on four essential pillars of fuel conservation that have been identified by IATA:

<p style="text-align: center;">Investment in new technology</p> <p>The use of systems that handle high volumes of data to perform analyzes that allow optimizing resources is a trend in all industries, in aviation these technologies can help to: optimize engine cleaning programs and other maintenance regimes, control dispatch processes, monitor and reward pilots for flying as efficiently as possible during each stage of the flight, among others.</p> <p>In 2020, Avianca has invested in information systems that allow the centralization of all operational data that facilitate the preparation of analysis and reports. With these systems, opportunities for improvement are identified in all the fuel processes and response times have been improved in the face of unfavorable trends in terms of CO2 emissions.</p> <p>On the other hand, efforts have been made to make an efficient use of the A325 NEO aircraft, which reduce fuel burn by 15% compared to its predecessor. These aircraft are strategically planned on routes where the benefit in terms of emission reduction and fuel conservation can be maximized.</p>	<p style="text-align: center;">More efficient infrastructure</p> <p>As a result of the implementation of systems that allow a better monitoring of the data of each flight, initiatives that allow an efficient use of airspace are being evaluated in the main airports where we operate. In the same way, initiatives are being worked with air traffic controllers to reduce CO2 emissions in our Hubs.</p>
	<p style="text-align: center;">More effective operations</p> <p>Avianca Fuel program manage 24 fuel conservation initiatives, of which 9 initiatives are executed by Pilots, 11 initiatives are managed by Flight Dispatch and 4 initiatives are executed by Maintenance.</p> <p>In 2020, 6 operational initiatives have been prioritized in which it has been identified as a greater potential to minimize CO2 emissions. With the continuity of these strategies, in 2020 we have managed to reduce fuel burning by 3,113,465 gallons, which corresponds to 29,794 tons of CO2 emission reduction.</p>
<p style="text-align: center;">Market Economic measures</p> <p>The Avianca Fuel program is aligned with the Carbon Compensation and Reduction Scheme for International Aviation (CORSIA), committed to reporting annual CO2e emissions to the different regulatory authorities of each of the seven (7) air operators that belong to Avianca Holdings group.</p> <p>In mid-2020, the respective CO2 Emissions Reports for the previous year were voluntarily submitted, on the dates established for each of the countries where Avianca Holdings has a presence with its Airlines; thus, contributing to the creation of the CORSIA 2020 baseline. These Reports were previously subject to a CO2 emission verification process, where it was validated and corroborated by an accredited external verifying body, that the reported operational and fuel consumption information by the company, complied with CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) regulations. Once the verification process and delivery of Emissions Reports to each Aeronautical Authority was completed, acceptance and approval was achieved, demonstrating Avianca’s commitment to Environmental sustainability and Operational improvement.</p>	

Additionally, as part of our alignment with the industry’s goals, we have monitored the performance of our fuel consumption profile in recent years. This has enabled us to make progress in aspects such as energy efficiency, fleet renewal and savings in fuel consumption, among others.

Continuing with our commitment to reducing the carbon footprint and the participation of the voluntary report during the pilot phase (2021-2023), we are currently in the process of verifying our emissions for 2020.












Aviation fuel efficiency

In despite the challenges that the COVID-19 pandemic have represented in the aeronautical sector, in 2020 the efforts to make efficient use of this important resource have not stopped. The strategies that the Avianca Fuel program has focused on this year are the following:

- Strengthen technological tools focused on data analysis
- Maintain high compliance on the already implemented initiative
- Identify improvements in procedures related to fuel management
- Implement new fuel conservation initiatives.

Avianca Fuel program initiatives

- | | | |
|--|--|--|
| <p>1 SETO (Single Engine Taxi Out): taxiing to the runway for departure with a single engine running.</p>  | <p>2 SETI (Single Engine Taxi In): taxiing on arrival with a single engine.</p>  | <p>3 RFL (Reduce Flaps Landing): landing with flaps 3.</p>  |
| <p>4 TRA (Thrust Reduction Altitude): reducing the thrust before a certain altitude.</p>  | <p>5 DA (Decelerated Approach): achieving a clean approach by lowering the landing gear at a certain altitude and/or applying engine power at a certain altitude.</p>  | <p>6 IRL (Idle Reverse on Landing): using Idle Reverse when landing.</p>  |
| <p>7 APU (APU Optimization): reducing the use of the APU.</p>  | <p>8 IFF (Idle fuel flow factor): using an IFF value so the airplane spends more time in cruise and has a "cleaner" descent that saves fuel.</p>  | <p>9 Overfueling: reducing the difference between the fuel required according to the flight plan and actual consumption.</p>  |

In 2020, six (6) operational initiatives have been prioritized in which it has been identified as a greater potential to minimize CO2 emissions, the reduction of CO2 emissions of these 6 initiatives is 28,275 Tons per year:

- **Single Engine Taxi Out (Pilots)**
Consists on carrying out the Taxi Out with a single engine, the reduction of CO2 emissions from this initiative is 6,838 Tons per year.
- **Single Engine Taxi In (Pilots)**
Consists on carrying out the Taxi In with a single engine, the reduction of CO2 emissions from this initiative is 14,770 Tons per year.
- **Idle Reverse on Landing (Pilots)**
Consists on use idle reverse instead full reverse during landing, the reduction of CO2 emissions from this initiative is 1,728 Tons per year.
- **Decelerated Approaches (Pilots)**
Consists on keep a clean aircraft configuration during final approach, the reduction of CO2 emissions from this initiative is 2,521 Tons per year.
- **Discretionary Fuel Optimization (Dispatch)**
Consists on optimizing the amount of discretionary fuel on each route based on historical data and statistical analysis, the reduction of CO2 emissions from this initiative is 1,007 Tons per year.
- **Alternate Optimization (Dispatch)**
Consists in reduce the alternate fuel by selecting the closest airport on good weather conditions, the reduction of CO2 emissions from this initiative is 1,410 Tons per year

Also, the implementation of the other initiatives, together achieved the reduction of 1,520 tons of CO2 during this year.

During 2020, we have benchmarked with two partner airlines to identify the best operational practices, we have also actively participated in the different fuel efficiency forums with regulatory entities, aircraft manufacturers and third parties that offer services to the sector.

Also, we have maintained our strategic alliance with GE Aviation, in which four (4) fuel conservation strategies have been implemented and are monitored jointly.

Additionally, we have worked on maintaining a communication strategy with the operating areas in order to provide timely feedback that allows the identification and implementation of best practices on fuel management processes.

Quantitative data on energy consumption



GRI 302-1

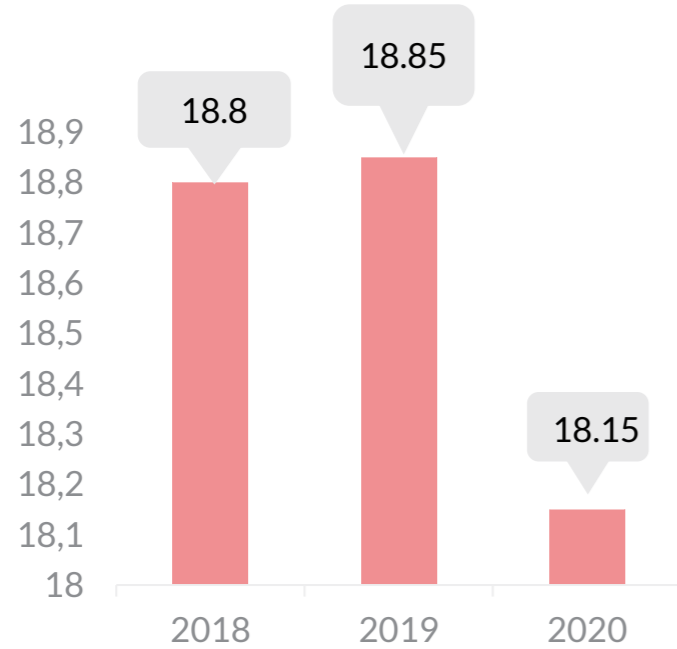
180,751,864.2 Fuel (Jet A1) consumption in aircraft (in Gallons)

Station	Avianca	TACA	Aerogal	Tampa	Regional	Total
2020	93,885,244	33,056,680	5,907,109	46,493,666	1,409,165	180,751,864.2
2019	323,892,595	144,926,499	23,900,531	38,805,031	2,517,716	534,042,372
2018	307,210,685	155,334,948	23,479,240	32,224,687	1,732,283	519,981,843
2017	283,617,012	147,654,693	21,714,809	30,637,512	1,696,358	485,320,384
2016	279,549,037	148,813,070	19,583,796	33,857,619	1,507,471	483,310,993
2015	259,212,866	147,718,180	19,750,923	33,380,593	1,200,670	461,263,232

Energy consumption by jet fuel in Terajoules 24,139

Station	Avianca	Taca	Aerogal	Tampa	Regional	Total
2020	12,538	4,415	789	6,209	188	24,139
2019	43,255	19,355	3,192	5,182	336	71,320
2018	41,027	20,744	3,135	4,303	231	69,442
2017	37,876	19,719	2,899	4,091	226	64,813
2016	37,333	19,873	2,615	4,521	201	64,545
2015	34,617	19,727	2,637	4,457	160	61,600

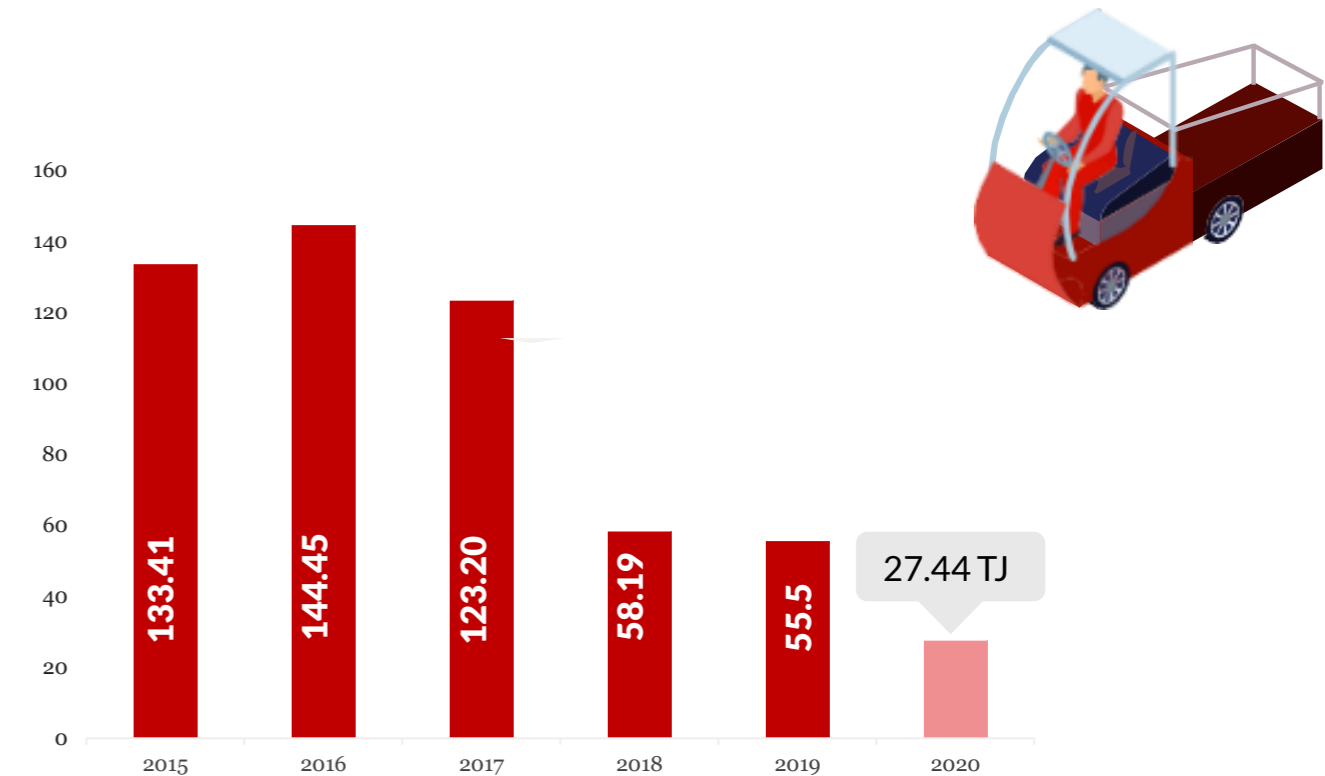
Own indicator: Specific fuel consumption for cargo transport



Liters of fuel/100 RKTs (revenue tonne-kilometre)

Reduction of 4% with respect to last year, which indicates that in 2020 we were more efficient in cargo transportation due to the increase in RTKs. This was possible because during the health emergency, cargo transportation was the sector that maintained and increased its operating load.

Energy consumption by ground vehicle fuel in Terajoules





Energy consumption by fuel for emergency electric generators in Terajoules

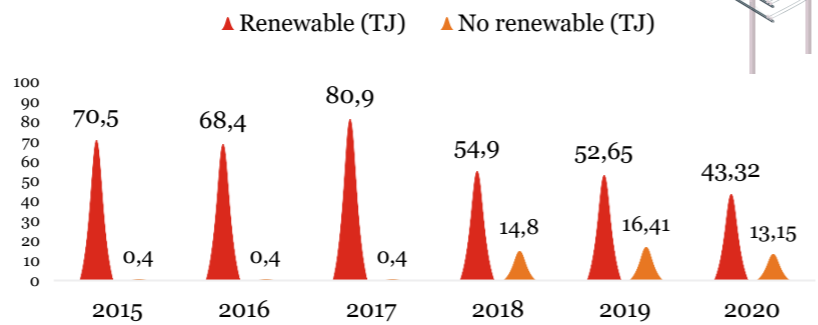
0.36 TJ
2020



2015	2016	2017	2018	2019
0.00284	0.00284	0.6	1.29	0.98

56.4 Consumption of purchased electric energy, in Terajoules

2020

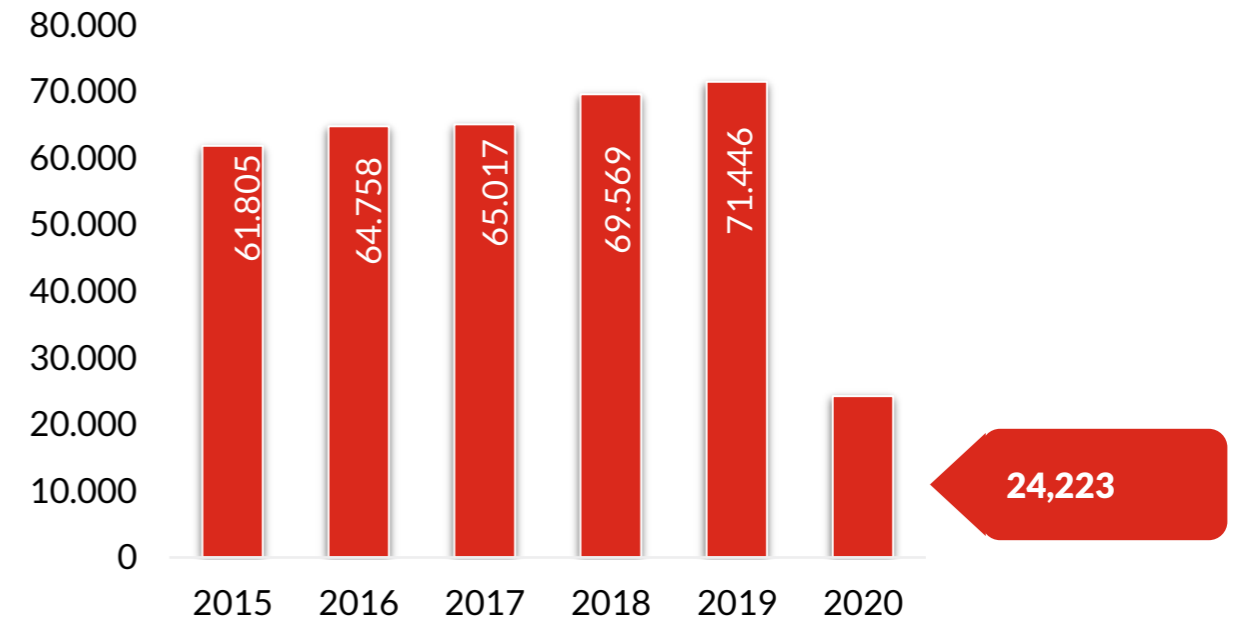


Total TJ **70.9** **68.8** **81.3(*)** **69.75** **69.05**

- Correction of the 2017 data reported in the 2019 report.

In 2020, the reduction in purchased electricity consumption was 18% compared to 2019. The reduction in energy consumption was due to the closure of different work centers for several months due to the health emergency, even so, it should be noted that the difference in reduction from one year to another was not wider because cargo warehouses in Bogota and Medellin, training centers and maintenance hangars kept processes in operation, generating energy consumption.

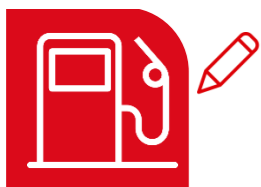
Total energy consumption in Terajoules



GRI 302-4

Jet A1 fuel is the main energy consumption of the company and represents 99.8% of total energy consumption. For this reason, efforts are focused through the Avianca Fuel program to achieve the reduction objectives of the industry.

In 2020 there was a decrease in fuel consumption of 66% compared to 2019, most of this reduction was due to the temporary closure of airports as a result of the COVID-19 pandemic. However, despite the difficulties, Avianca Fuel program has continued to work on strengthening and implementing actions aligned with the four fundamental pillars that allow us to be more efficient in fuel management.



Own indicator: FUEL RPK

4.20 Liters of Jet A1 fuel consumed during aircraft operations per kilometers (RPKs)³¹

2015	2016	2017	2018	2019
4.57	4.45	4.28	4.22	4.22

Station	Avianca	Taca	Aerogal	Regional
2020	4.21	3.98	5.30	7.25
2019	4.26	4.00	5.27	7.07
2018	4.26	4.01	4.71	
2017	4.32	4.04	5.33	
2016	4.51	4.19	5.77	
2015	4.67	4.26	5.65	
2014	4.67	4.3	9.99	

The fuel burned per passenger per kilometer transported is an indicator that has been used since 2014 to identify the improvements that have been achieved year after year.

For 2020 our aircrafts used an average of 4.20 liters of Jet A1 to transport 100 passengers per kilometer, which was reduced by 0.5% compared to the result of 2019. Despite having achieved a reduction, the goal of 1.5% was not reached.

This indicator was largely influenced by a decrease in the aircraft load factor (RPKs), mainly due to the effects of the pandemic. For 2021 Avianca Holdings remains committed to the industry goal with investment in new technology for data analysis, aircraft densification, fleet renewal and route network optimization.

31. The calculation of the indicator did not consider the months when airports were closed and there were no commercial flights, period from April to August.



Carbon footprint

The estimation of our Scope 1 and 2 emissions was made according to the guidelines established in the ISO 14064:2015 standard, the standards provided by the UN Intergovernmental Panel on Climate Change (IPCC), as well as the Global Warming Potential Rates of this entity. Emissions are calculated using published emissions factors and they are consolidated under the operating control approach. The uncertainty is quantified through the emission factors and data of the activity, taken from IPCC "Chapter 3. Mobile Combustion" for international civil aviation and the methodology described in the same chapter.

Gas	Uncertainty of the emission factor		Uncertainty of the activity		Combined uncertainty	
	%	%	%	%	%	%
CH ₄	57	100	5	5	57.22	100.12
N ₂ O	70	150	5	5	70.18	150.08
NO _x	25	25	5	5	25.50	25.50

CO2e emissions are comprised of the combustion processes in the operation of aircraft, which account for 99.8% of total Scope 1 and 2 emissions of Avianca Holdings. We also include the emissions from the combustion produced by our own ground support equipment and vehicles, the use of emergency electric generators, the use of extinguishers on the ground and the consumption of refrigerant gases.

The 2020 aircraft emissions data were calculated according to the International Civil Aviation Organization's (ICAO) CORSIA Scheme, which establishes as values of reference the density of JET A1 fuel at 0.8 kg/l and the emission factor per kilogram of fuel at 3.16 kg of CO2.

The calculation of CO2e emissions in 2020 includes:

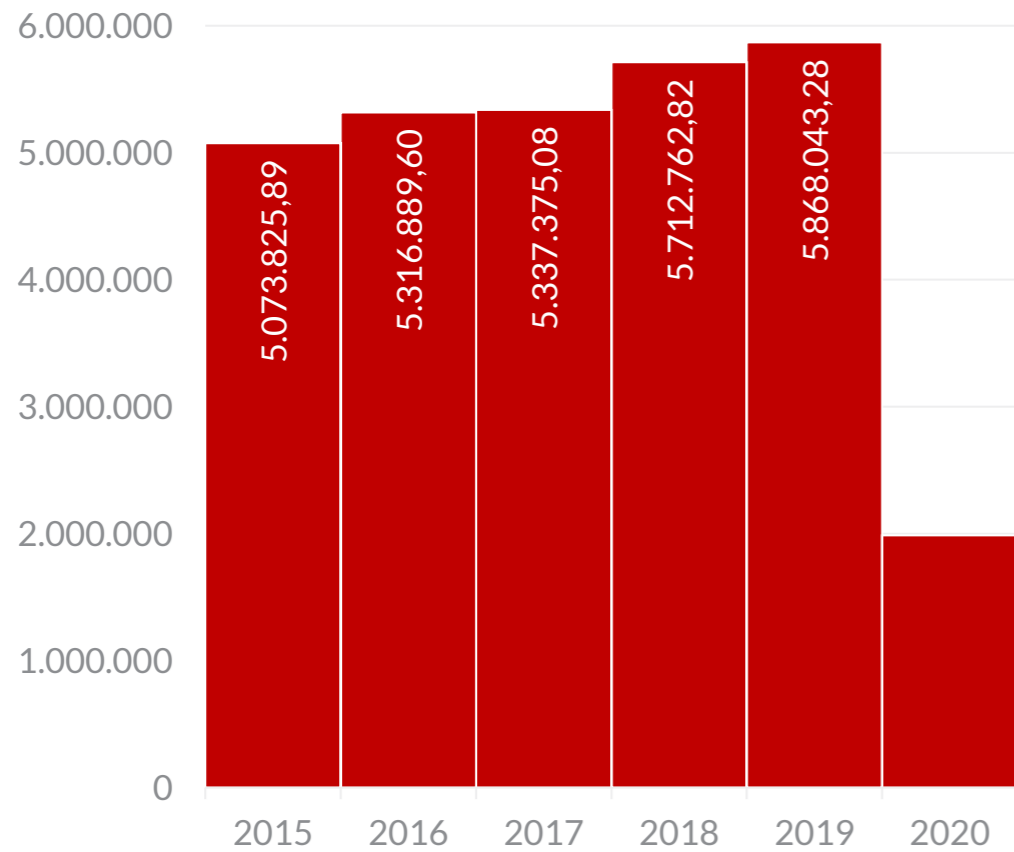
- The gases: CO2, N2O, CH4 and NOx.
- The Regional segment is incorporated into the Avianca Holdings group. The Regional Express Americas S.A. company, located in Colombia, started operations in March 2019. The regional companies located in Central America are no longer part of the Avianca Holdings group, so they will no longer be included in the calculation of CO2e emissions.

 **Scope 1 emissions**

 **GRI 305-1**

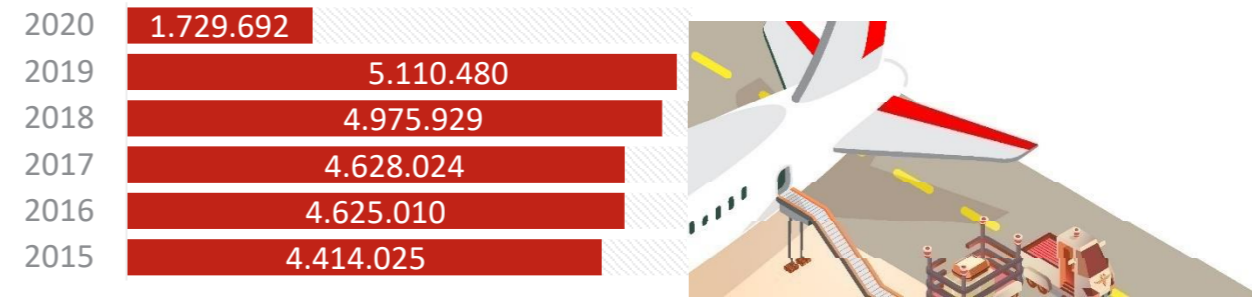
Our Scope 1 CO₂e emissions decrease 66.1% from the previous year, most of this reduction was due to the temporary closure of airports as a result of the pandemic.


Total Scope 1 CO₂e emissions in tons .

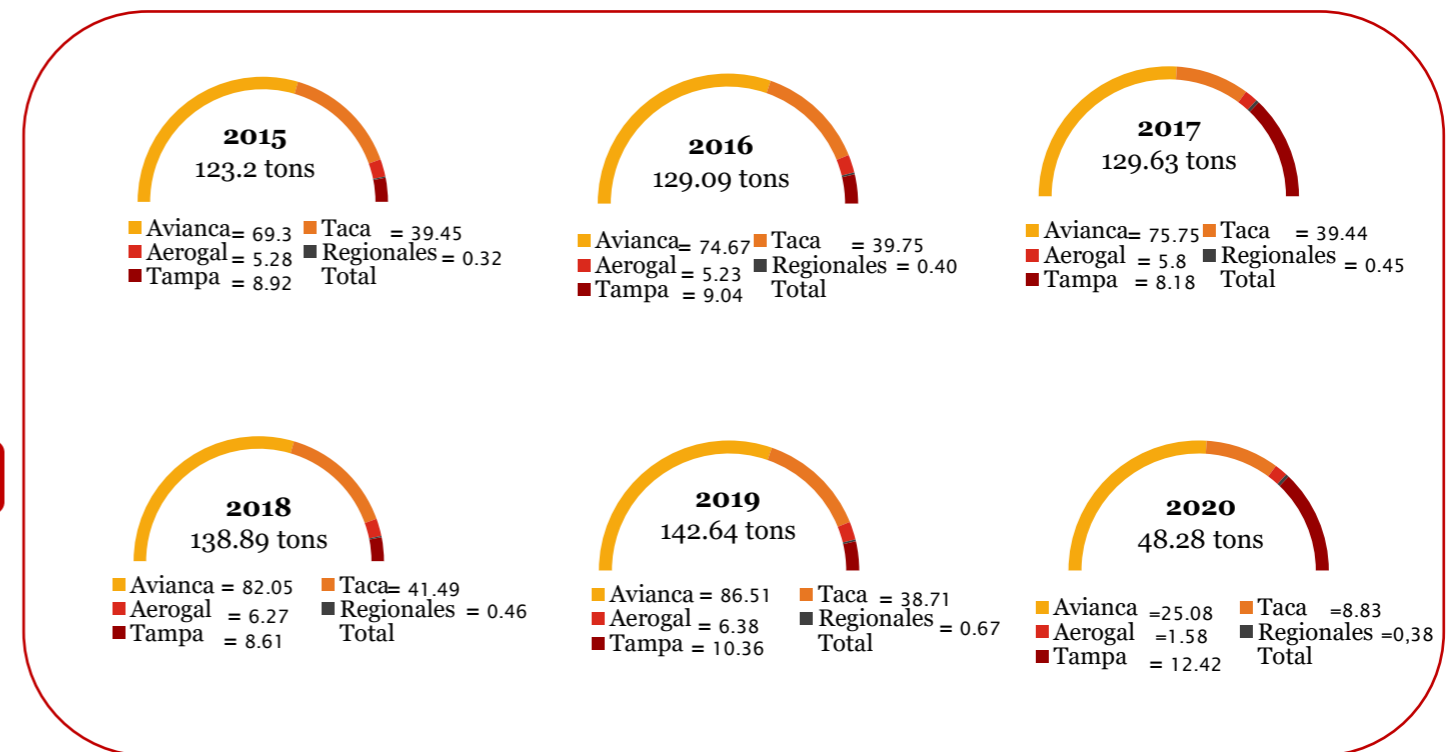


Below, a breakdown is presented of the gases that comprise the company's total direct Scope 1 Greenhouse Gases (GHG) emissions. The emission factors and the global warming potential (GWP) used to estimate emissions, can be found in the Annex. Table of Emission Factors Used.

Airplanes CO₂ emissions in tons



 **GRI 305-7**
Airplanes N₂O emissions in tons





Airplanes NOx emissions in tons



Own Indicator: Specific NOX emissions for cargo transport

160.04 Grams/100RKT (Revenue Tonne-Kilometre)

Parameter	2018	2019	2020
Specific NOX emissions for cargo transport	165.85	166.24	160.04
Percentage of tons transported per kilometer	100	100	100

Airplanes CH4 emissions in tons

Station	2015	2016	2017	2018	2019	2020
Avianca	17.31	18.67	18.94	20.51	21.63	6.27
TACA	9.86	9.94	9.86	10.37	9.68	2.21
Aerogal	1.32	1.31	1.45	1.57	1.60	0.39
Regional	0.08	0.10	0.11	0.08	0.17	0.09
Tampa	2.23	2.26	2.05	2.15	2.59	3.10
Total	30.80	32.27	32.41	34.72	35.66	12.07

Total airplanes CO2e emissions in tons

COA	2015	2016	2017	2018	2019	2020
Avianca	2,845,524	3,068,766	3,113,422	3,372,423	3,555,550	1,030,631
TACA	1,621,585	1,633,604	1,620,888	1,705,198	1,590,939	362,882
Aerogal	216,817	214,982	238,376	257,745	262,369	64,846
Regional	13,180	16,548	18,622	19,016	27,638	15,469
Tampa	366,437	371,674	336,325	353,748	425,984	510,387
Total	5,063,544	5,305,575	5,327,633	5,708,131	5,862,481	1,984,214

Ground support equipment and vehicle emissions in tons of CO2e

2015	2016	2017	2018	2019	2020
10,020.38	10,842.18	9,264.27	4,352.34	4,146.89	2,046.87

2020
50.6%

Reduction in these emissions as a result of the non-operation of this equipment due to the health emergency.

Emissions of electric generators in tons of CO2e

2015	2016	2017	2018	2019	2020
0.21	0.21	46.9	98.92	72.26	26.67

2020
63.10% Decrease in these emissions as a result of the reduction in power outages and the non-operation of these equipment due to the health emergency.

Emissions from consumption of refrigerant gas in tons of CO2e

2015	2016	2017	2018	2019
261.22	472.54	431.01	216.99	1,342.73

2020
86.84 ton CO2e The consumption associated with refrigerant gases during 2020 was mostly due to the maintenance of air conditioning systems.

CO2 emissions from use of fire extinguishers: No CO2 emissions were generated from the use of fire extinguishers in 2020.



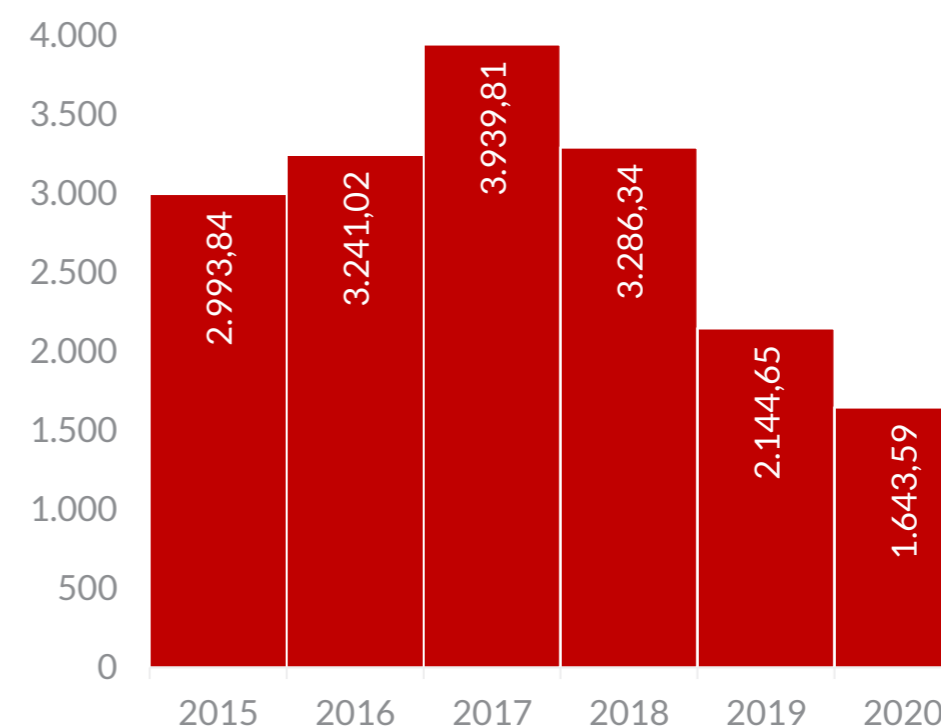
Scope 2 emissions



GRI 305-2

Our Scope 2 emissions decreased by 23% from 2019. In 2020, due to the closure of different workplaces for several months due to the health emergency.

Tons of CO2e from Scope 2 emissions



GHG emissions Intensity

GRI 305- 4

Our Greenhouse Gas emission intensity is calculated by determining the kilograms of CO2e emitted by the aircraft for every 100 revenue passengers' kilometers.

In 2020, the indicator showed a 0.5% reduction compared to last year, due to a reduction in the aircraft's load factor, caused by the closure of airports due to the health emergency, which affected the domestic and international air markets.

2015	2016	2017	2018	2019	2020
11.54	11.25	10.81	10.67	10.68	10.63*

* The calculation of the indicator did not consider the months when airports were closed and there were no commercial flights, period from April to August.



Carbon Offset

In 2020, we offset 200,000 tons of CO₂e through the purchase of carbon credits, which is equivalent to 64.17% of the emissions generated by domestic operations in Colombia and 10.1% of those generated by the Holding company. The remaining percentage of emissions was subject to different economic measures³

The purchase of these carbon credits or units was carried out through two (2) projects for the reforestation, restoration and conservation of forests in Colombia, the Forestry Project to mitigate climate change "Forestal de la Orinoquia" and the Commercial Reforestation Project in Meta.

“Forestal de La Orinoquia” forest climate change mitigation project: Agriculture Forestry and Other Land Use

The “Forestal de la Orinoquia” climate change mitigation forest project is a commercial reforestation project in which wood chips are produced for the generation of wood energy. It has a total planting area of more than 9,000 ha, established in dense forest plantations of the Acacia mangium and Eucalyptus pellita species in the municipalities of Puerto Carreño and La Primavera, in the department of Vichada. The project implements appropriate global business practices in all its operations; therefore, it is committed to obtaining Forest Stewardship Council certification for the products it will commercialize. Operationally, the project management verifies that all the activities carried out are in accordance with the principles of social and environmental responsibility. All operational activities are managed in accordance with local, national and international laws and regulations.

3. Payment of National Carbon Tax, to which we contributed USD 191,520 and which is used for the Fund for Environmental Sustainability and Sustainable Rural Development in Areas Affected by the Conflict (“Fondo para una Colombia Sostenible”). These resources are used for projects to prevent coastal erosion, for the conservation of water sources and for the protection of ecosystems, according to the guidelines established by the Colombian Ministry of the Environment and Sustainable Development.

This project has achieved the conservation of traditional natural ecosystems of the area, such as gallery forests, forests on white sand and moriche palm swamps, together with the generation and conservation of biological corridors for the shelter and passage of wild animals in the area, especially endangered (EN) and critically endangered (CR) species, such as:

- Helmeted curassow
- Red-footed tortoise
- Giant river otter
- Orinoco crocodile
- Giant armadillo

Standard	Number of credits	Verify
ICONTEC	172,060	✓

Commercial Reforestation in Meta Agriculture Forestry and Other Land Use

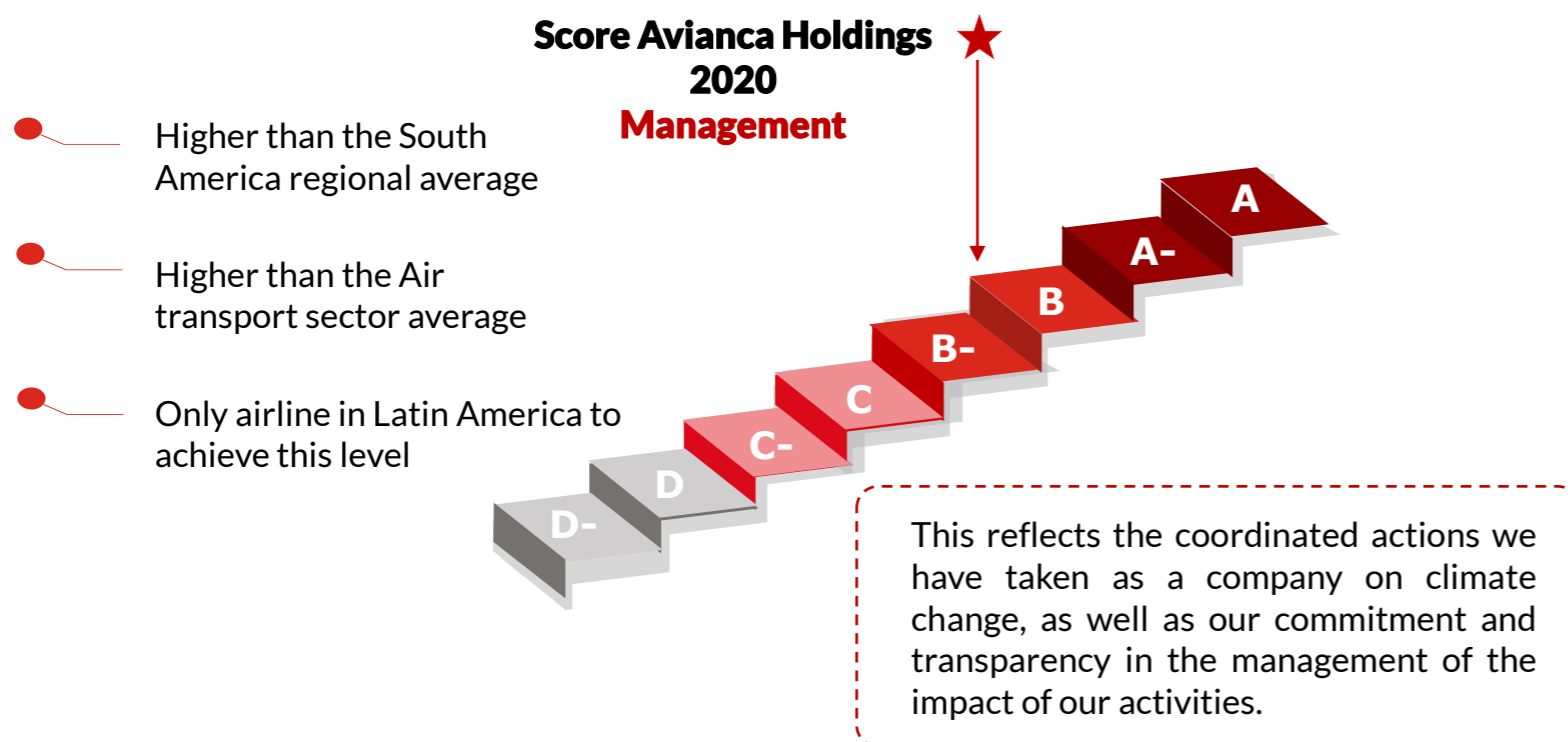
The forestry project to mitigate climate change Commercial Reforestation in Meta groups together different owners of forest plantations. Its main objective is to reduce the emission of Greenhouse Gases (GHG), by capturing carbon by forest plantations in the department of Meta. It lasts for twenty years and comprises a total area of 2,234 hectares (ha), of which 2,015.5 ha correspond to plantations established between 2009-2017 and 218.7 ha to plantations that are currently in the process of establishment. Of the total planted area, 575.2 ha are of P. caribaea, 665.3 ha of A. mangium and 775.0 ha of E. pellita.

Standard	Number of credits	Verify
ICONTEC	29,940	✓



Carbon Disclosure Project (CDP)

For the third year in a row, we were part of the Carbon Disclosure Project (CDP) organization, engaging in the “Climate Change” approach. In 2020, we obtained a score of B, improving upon the B- score obtained the previous year. This result enabled us to position ourselves among the 54% of the industry’s companies that have achieved a management level above the region’s average.



Aligned with the best global practices, we keep working with CDP's “Supply Chain” program. Through this program, we invite strategic suppliers of the service areas, including fuel supply, ground assistance operators, aircraft manufacturers, catering and maintenance to report their environmental management, achieving 45% participation, participation that was affected by the health emergency of COVID-19. These suppliers reported their management efforts in climate change including governance, emissions, targets, indicators, opportunities and risks.

We have progressed in our methodology for the quantification of other indirect GHG emissions (Scope 3). In line with the above, through data directly reported by the suppliers through the CDP “Supply Chain” program, Avianca’s Scope 3 emissions were 186,863.67 tons of CO2e.



Aircraft with the lowest noise levels in the industry

Important measures have been implemented in the aviation sector to reduce the noise of operations. To this effect, the International Civil Aviation Organization (ICAO) introduced a noise limit standard in 2006, called Chapter 4, with the aim of ensuring that new aircraft are at least ten (10) decibels (or one third) quieter than those built with the specifications of Chapter 3.

This standard is part of a series of measures implemented in recent years to reduce the noise levels of jet engines in the industry and, therefore, reduce the noise impact of our operations on the environment, especially in communities that live near the airports or under landing and take-off paths. Currently, the new aircraft are, on average, 50% quieter than ten (10) years ago, according to data from Boeing and Airbus. It is calculated that the “noise footprint” of each new generation of aircraft is at least 15% less than the preceding generation.

All our airplanes are certified as Stage 4 in noise level, a categorization issued by the aircraft manufacturer.

Additionally, we complied with the noise reduction procedures in the airports established by the aviation authority. All of the above reinforces our commitment to reduce the noise impact through the best technology available for air operations.



How did we adapt in 2020?

- With an investment of USD 809,561 we offset the emission of 200,000 tons of carbon dioxide, which correspond to 64.17% of the emissions generated by the entire domestic operation in the Colombian territory.
- We obtained a B score in CDP with the “Climate Change” approach, a reflection of our commitment to the adequate management of our activities.
- We came in seventh place of the world’s most sustainable airlines according to the Dow Jones Sustainability Index (DJSI) MILA Pacific Alliance, consolidating our risk management and climate change opportunities, and achievement of the established goals regarding climate change.
- We successfully completed the process of verification of CO₂e emissions generated by international flights of each of our AOCs with organizations accredited worldwide and endorsed by the International Civil Aviation Organization (ICAO).
- We filed the Emissions Report by AOCs to each of the corresponding states, being approved and complying with the CORSIA scheme.
- In 2020 we have managed to reduce fuel burning by 3,113,465 gallons, which corresponds to 29,794 tons of CO₂ emission reduction.
- Approval of implementation of a new flight planning system

We made progress in the challenges we took on 2019

- We maintained the highest technology standards to mitigate noise and emissions in operations, complying with challenges and regulations established for the sector.
- By 2020, we continued implementing and looking for improved fuel-efficient technologies, for this reason we prioritized 6 operational initiatives in which it has been identified that there is a greater potential to minimize CO₂ emissions.
- We have benchmarked with two partner airlines to identify the best operational practices
- Through CDP's Supply chain program, we achieved a participation of 45% of the suppliers invited to report their environmental management, which allowed us to strengthen the scope 3 emissions report.
- We have actively participated in the different fuel efficiency forums of regulators, aircraft manufacturers and third parties offering services to the industry.

Our future 2021

- Keep working with suppliers to improve the reporting of emissions that enables an improvement in the calculation of Scope 3 emissions.
- Monitor and continue working on compliance with each of the implementation phases of the CORSIA scheme.
- Generate strategic alliances with projects to achieve the offsetting of CO₂e emissions generated during our operation.
- Achieve the objective of stabilizing CO₂ emissions with neutral growth.
- Homologation of the flight planning system in all the Avianca Holding’s operators.
- Update of Avianca fuel policy in Colombia based on the latest update of the air transport regulator.
- Fuel Efficiency Software Implementation.
- Perform Base contingency fuel implementation.

At Avianca, we promote the efficient use of resources and their adequate management. These initiatives are largely supported by technology upgrades, partnerships with strategic suppliers and raising the environmental awareness of our employees.

We aligned efficient management with the environmental aspects identified at Avianca, specifically with:



Waste management



GRI 306-2



Non-hazardous waste management

We managed the non-hazardous waste generated in our operations by identifying and calculating the amount according to the specific disposal method for each one.

492.1 Tons Non-hazardous waste management

Station	COL ³⁴	ECU ³⁵	SAL	SJO	GUA	LIM	Total
2020	470.1	9.6	10.5	0.3	1.7	////	492.1
2019	1,251.2	23.4	131.5	125.0	19.9	48.0	1,599.0
2018	1,108	33.6	144.2	22.2	33.1	39.9	1,380.9
2017	1,131.1	33.4	134.2	30.3	35.7	40.5	1,405.2
2016	1,169.6	25.8	140.4	46.2	31.3	52	1,465.3
2015	1,204	19.8	140.5	29.1	75.7	32	1,501.1
2014	1,587.2	19.3	143.2	45.1	38.2	31.2	1,864.2

260.5 Tons Recycled waste

Station	COL ³⁶	ECU ³⁷	SAL	SJO	GUA	LIM	Total
2020	241.5	6.6	10.5	0.3	1.7	////	260.5
2019	553.7	14.7	52.9	37.7	5.5	17.7	682.1
2018	481.3	26.2	33.9	8.8	7.9	14.1	572.2
2017	439.5	26.9	20	0	10.5	11.1	508
2016	512.7	21.5	26.8	13.4	6.1	7	587.5
2015	481.5	16	26.6	0	50.5	8.9	583.5
2014	478	16	47.7	3.6	13	13.5	571.8

33. As of 2020, data from the Lima station will no longer be reported due to the minimal activities carried out at this station due to the health emergency. Due to traceability issues, data from previous years will be left.

34. In Colombia, the stations of BOG (Bogotá) and MDE (Medellín) are included.

35. In Ecuador, the stations of .UIO (Quito) y GYE (Guayaquil) are included.

In 2019, we started to manage the organic waste generated during operations in the Bogotá station by sending it for composting. This management is carried out through the authorized waste agents managed by El Dorado International Airport.

46.38 tons Waste sent for composting.

Estación	COL
2020	46.38
2019	137.20

The reduction in the generation of this waste was due to the cancellation of domestic flights and the closure of VIP lounges due to the COVID-19 emergency. Due to their activities, these processes generated a significant amount of organic waste.

231.6 Waste sent to a landfill

Station	COL	ECU	SAL	SJO	GUA	LIM	Total
2020	228.5	3.1	--	--	--	////	231.6
2019	697.6	8.7	78.5	87.3	14.4	30.3	916.9
2018	626.7	7.4	110.3	13.4	25.2	25.8	808.7
2017	691.6	6.5	114.2	30.3	25.2	29.4	897.2
2016	656.9	4.3	113.6	32.8	25.2	45	877.8
2015	722.5	3.8	113.8	29.1	25.2	23.1	917.5
2014	1,109.2	3.3	95.5	41.5	25.2	17.7	1,292.4

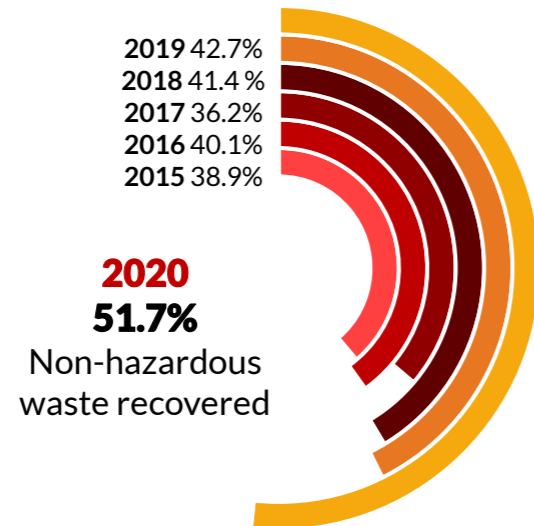
For the SJO, SAL and GUA stations, there is no information on waste sent to the landfill due to the change in the cleaning providers at the facilities that used to record this data due to the inconvenience and change in the cleaning providers due to the health emergency.

36. In Colombia, the stations of BOG (Bogotá) and MDE (Medellín) are included.

37. In Ecuador, the stations of UIO (Quito) y GYE (Guayaquil) are included.



Own indicator: Percentage of non-hazardous waste reused

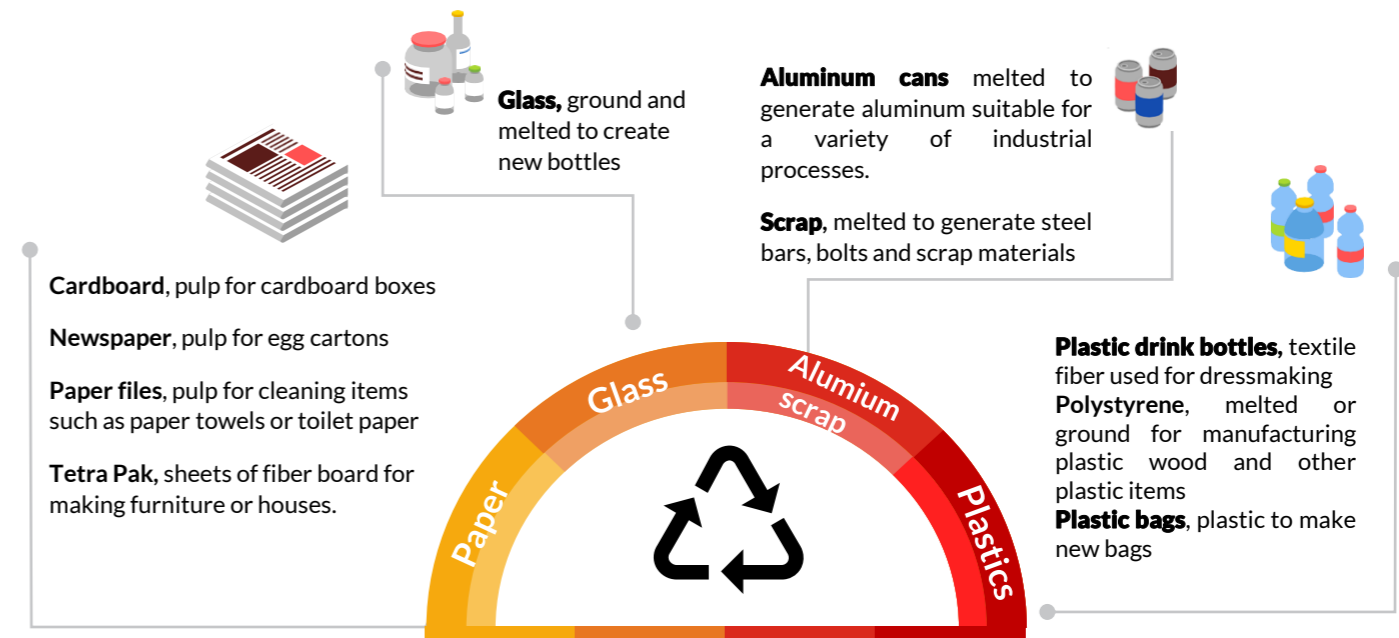


The percentage of waste recovery increased with respect to last year due to the decrease in waste without the possibility of recovery (sanitary and ordinary waste) generated at the different work centers, either because they were closed or because there were few workers working there.

Although the goal of 37% utilization was achieved, it is worth mentioning that this result is an atypical data of the indicator.

The data from the SJO, SAL and GUA stations are not considered for the calculation of the indicator due to the lack of landfill data.

Due to our adequate waste management and joint work with our agents, we are proud to ensure a longer and more beneficial life cycle for a large part of the non-hazardous waste generated as part of our operations:



Thanks to partnerships with strategic managers, we ensure that the waste generated from single-use plastics used in our operation extends its life cycle by transforming it into raw material for the creation of different objects such as: Styrofoam cups, insulating fillers, children’s toys, product packaging and school furniture.

With this, we not only reduce the environmental impacts of the use of plastic, but also have a positive impact on social and economic aspects to the managers with whom we establish partnerships for the use of this waste.

A large part of the non-hazardous waste generated is delivered to recycling organizations that generate social benefits for their employees and communities, such as: Asociación de Recicladores Puerta de Oro (Bogotá), Cooperativa Planeta Verde (Medellín), and Fundación Hermano Miguel (Quito).





Hazardous waste management

We manage the hazardous waste generated in our activities. This waste is recovered or delivered for final disposal to the authorized agents.

332.8 Tons of hazardous waste generated

Station	COL	ECU	SAL	SJO	GUA
2020	297.0	9.9	11.4	3.8	10.7

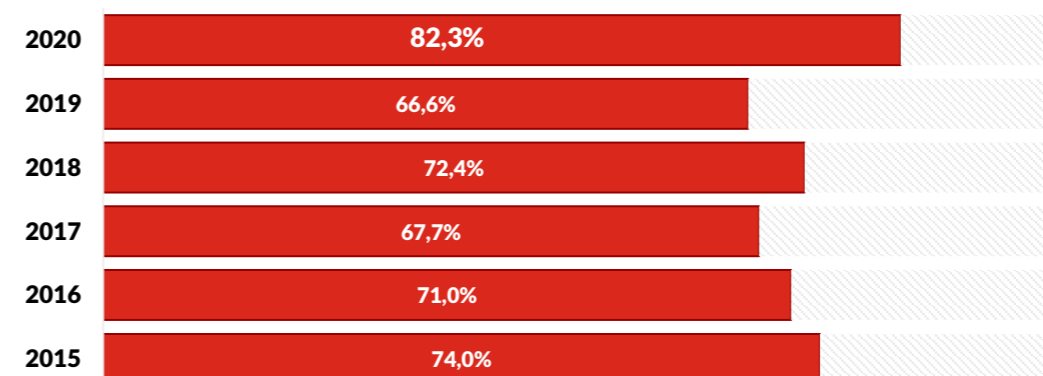
35.1% Reduction in the generation of hazardous waste compared to 2019 due to the cessation of operation in different processes due to the health emergency.

Station	COL	ECU	SAL	SJO	GUA	LIM	Total
2019	416.7	17.3	34.8	9.3	21.9	12.6	512.6
2018	496.5	26.4	41.6	7.7	34.8	13.3	620.4
2017	451.2	24.3	5.2	4.8	30	13.8	529.3
2016	332.1	20.1	12.6	6.8	16.3	11.7	399.6
2015	177.8	20.7	13.6	19.5	7.7	16.6	255.9
2014	174.3	18.5	10.5	23.6	5.9	8.9	241.7

Hazardous waste by type of disposal

Type of treatment	2014	2015	2016	2017	2018	2019	2020
Recovered					22.4	1.0	0
Recycling					24.8	1.1	5.78
Recovery, including energy recovery	183.2	189.3	283.9	358,	384.7	339.5	268.16
Incineration	49.5	48.7	95.0	129.3	114.6	148.5	54.7
Secure landfill	9.0	17.8	20.7	37.9	56.8	17.4	1.7
Storage	3.8	3.8	3.8	3.8	0.1	1.4	2.8
Other: Filtration sheets					17.1	5.1	2.4
Total	245.5	259.6	403.4	529.2	620.5	514.1	335.6

Own indicator: Percentage of hazardous waste recovered



The valorized hazardous waste indicator showed an increase compared to last year due to the fact that the MDE base (which for this year represented 70% of the hazardous waste generation of the stations reported) began to send different hazardous waste such as solids and contaminated containers, filters to incineration with energy recovery.

Likewise, due to the cessation of activities, many of the aircraft remained on the ground undergoing maintenance that involved draining fuel and oils in order to preserve the aircraft. These fuels and oils were sent to refining processes. In line with our commitment to ensure the correct management and disposal of hazardous waste, we describe below some of the disposal methods used by our agents:

- Co-processing of cloths, gloves and other solid items impregnated with chemicals or hydrocarbons of high calorific capacity.
- Recovery of solvents through chemical processes (series distillation).
- Recovery of used oil and fuel.
- Recycling of lead-acid batteries (closed cycle where all their components are recovered).



Water consumption

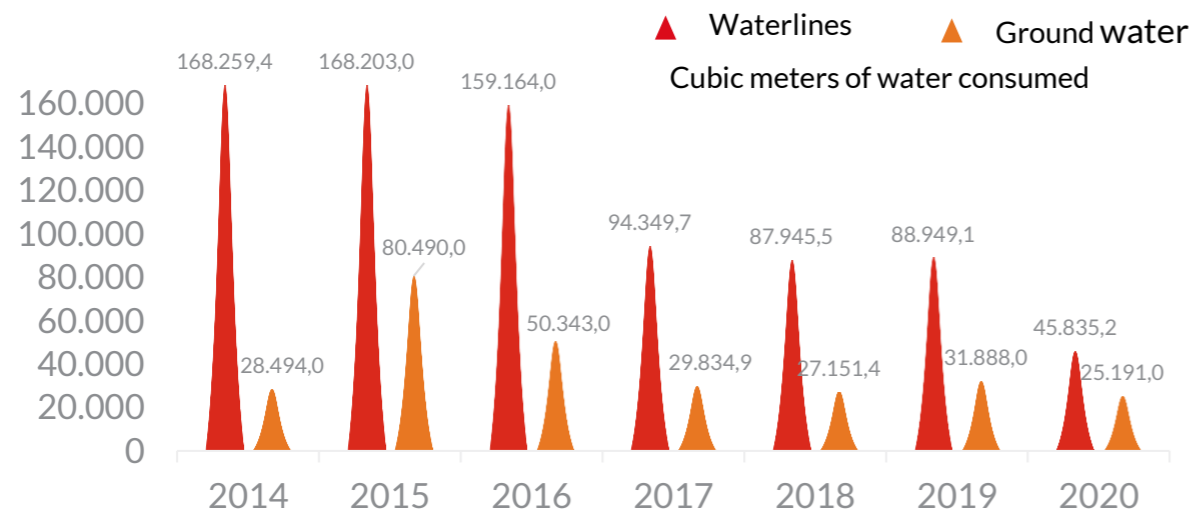


Water consumption by source



GRI 303-1

71,026.2 Cubic meters of water consumed in 2020



Total 196,753.4 248,693 209,507 124,184.6 115,096.9 120,837.1

Water consumption decreased by 70% compared to last year because different workplaces were closed for months, while others were permanently closed.

Likewise, when some workplaces were opened the number of workers in them were minimal, so the water consumption was not the same as in a normal operation. Even so, during the time that the workplaces were closed, maintenance and inspections were carried out to the areas ensuring that there were no leaks and, if so, they were promptly dealt with.

How did we adapt in 2020?

- Although the objectives set at the beginning of the year in waste recovery and valorization were achieved, the data obtained during this year should be considered atypical because the operation was impacted by the COVID-19 emergency, leading to changes in business processes and having direct impact on the indicators.

- Water consumption decreased by 70% because of to the closure of different workplaces due to the COVID-19 emergency. However, during the year operational controls were carried out guaranteeing the efficient use of water.

- We guaranteed the appropriate management of waste generated by the health emergency of COVID-19 in each of the stations where we operate through programs, training and communications to our workers

We made progress in the challenges we took on 2019

- Due to the closure of different workplaces because of the health emergency, maintenance and verification of facilities were achieved to ensure that there were no water leaks or any inefficient use of the resource.

- The change in the treatment and/or final disposal process of the main hazardous waste manager of MRO in Medellin, ensured that the waste generated from different processes was sent for energy recovery, thus achieving the valorization of this waste.

Our future 2021

- Seek new partnerships with strategic suppliers to end the life cycle of the waste generated during our operations and increase the percentage of waste recovered.

- Keep implementing strategies that enable a reduction in the amount of non-hazardous and hazardous waste generated in our processes.

- Re-engineer the aviation maintenance process to reduce the waste generated.

- Continue to implement strategies to save and efficiently use water in the main stations where we operate.

Annex. Table of Emission Factors Used

FACTOR		Source
Colombia energy emission factor	0,13 t CO ₂ / MWh	2019. Unidad de planeación Minero-Energética de Colombia, Resolución 642
Salvador energy emission factor	0,0365 kg CO ₂ /KWh	2020. Instituto Meteorológico nacional. Factores de emisión gases efecto invernadero. Décima edición. Pág. 4
Costa Rica energy emission factor	0,0365 kg CO ₂ /KWh	2020. Instituto Meteorológico nacional. Factores de emisión gases efecto invernadero. Décima edición. Pág. 4
Guatemala energy emission factor	0,4877 kg CO ₂ / KWh	https://mem.gob.gt/wp-content/uploads/2020/12/BALANCE-ENERG%C3%89TICO-2019-1.pdf
Ecuador energy emission factor	342,6 g CO ₂ / KWh	CTFE-Comisión Técnica de determinación de Factores de emisión de gases de efecto Invernadero. (2019). FACTOR DE EMISIÓN DE CO ₂ DEL SISTEMA NACIONAL INTERCONECTADO DE ECUADOR INFORME 2019. Ecuador.
Conversion factor	1TJ =278000 KWh	

	GWP	Source
CO ₂	1	https://www.ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf Fifth Assessment Report (AR5)- https://www.ipcc.ch/site/assets/uploads/2018/02/WG1AR5_Chapter08_FINAL.pdf
CH ₄	28	
N ₂ O	265	
NO _x	40	





13 | About this annual Report



GRI 102-1; 102-52; 102-50; 102-45

Our Annual Report communicates to our stakeholders our vision of the business, our performance and commitment with sustainable management, as well as the challenges we faced and the progress we made on the objectives we established for 2020. Consequently, we will disclose information on the company's different practices and programs, encompassing both, the investment and controlling company and the operating companies of the Holding company's business lines.



Overview

- This report represents our eighth Avianca Holdings S.A Annual Report and is presented by the Board of Directors, the CEO and the management team.

Content

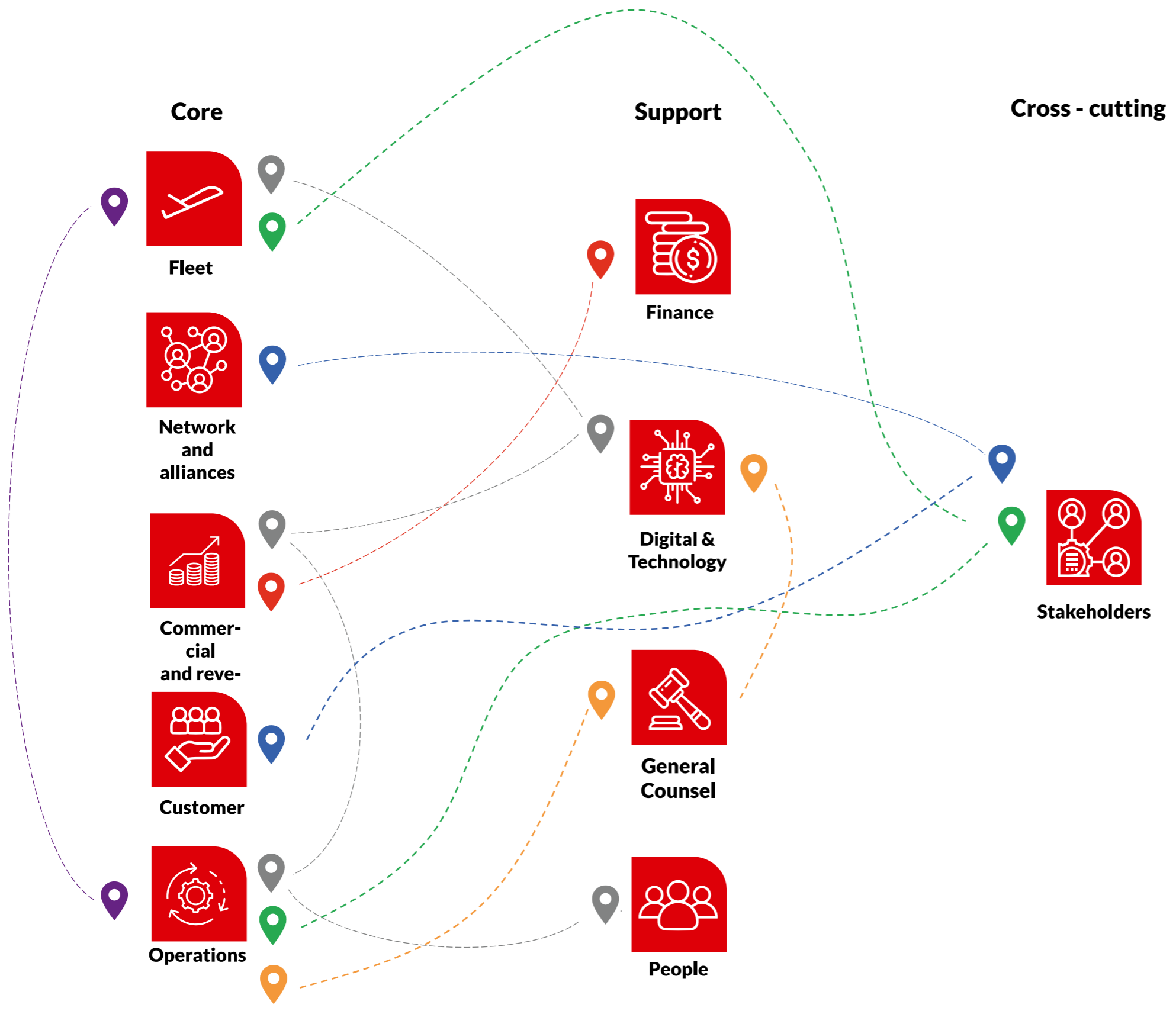
- Global Reporting Initiative-GRI standards. The economic, social, environmental and corporate governance performance of Avianca Holdings S.A. and its subsidiaries for the period from January 1 to December 31, 2020.
- Annual Corporate Governance Report
- United Nations Global Compact Communications on Progress (COP)
- Consolidated and separate financial state financial statements audited by the firm KPMG.

Guidelines

- Global Reporting Initiative-GRI standards.
- International Financial Reporting Standards-IFRS for the financial statements.
- Standards, regulations, and initiatives that apply to the Corporate Governance Report.

Information

- Primary and secondary sources of information were used from the documentation and records of the company's various areas and processes, controlled by our management systems, which were subject to periodic internal and external audits during 2020.



Through the structure of this report, we describe the performance of our core, support, and cross-cutting business processes, aimed at presenting the overall integration and alignment of the business and how we create value in each area.

-  **Human capital**
-  **Financial capital**
-  **Social and relational capital**
-  **Intellectual capital**
-  **Natural capital**
-  **Industrial capital**



GRI 102-54

This report was prepared in accordance with the Global Reporting Initiative-GRI standard (Essential option).



GRI 102-53

For additional information, questions or comments on the report and its contents, contact the Stakeholder Engagement and Sustainability Area by e-mail at ciudadania.corporativa@avianca.com



GRI 102-48; 102-49

Whenever changes have been made to the formulas or basis for calculation of any indicators, or changes in coverage or scope of the information compared to the data reported in previous reports, we have included the relevant explanation in each section. Also, whenever actions are performed by one or more of the holding company's subsidiaries, the company that performed such action shall be mentioned specifically.

Materiality analysis

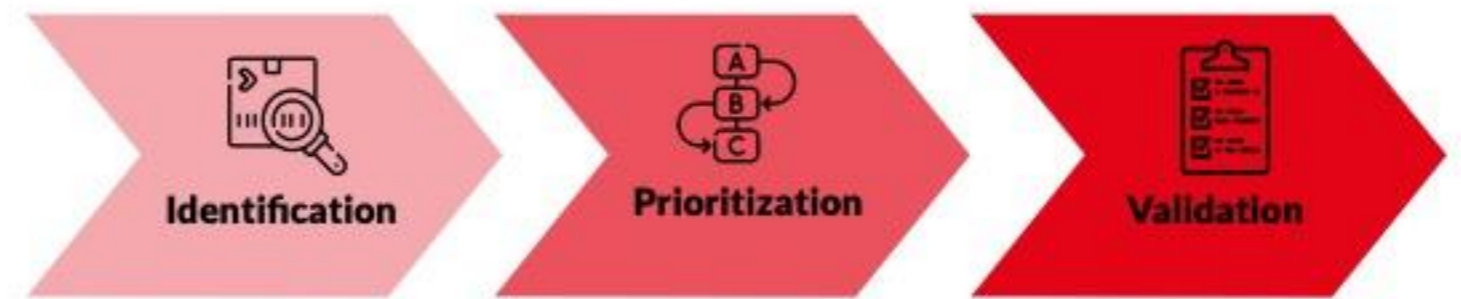


GRI 102-46

Avianca Holdings performs its materiality analysis to identify the matters that contribute to the generation of short, medium, and long term-value.

For this report, the contents were defined using the same materiality analysis process used in 2018. This process contains the identification of the matters that are most relevant for our business vision regarding the economic, social, and environmental impact, which therefore influence the creation of value for our stakeholders. As we used the same materiality analysis as last years, we also kept the same structure to align it with our strategic direction and in accordance with our value chain and business model.

To identify the critical topics, we considered the opinion of different representatives of our main stakeholders to find those they consider most relevant to the company's management and monitoring. We also analyzed the topics of greatest impact, to prioritize the material ones. Those topics are the input to report our performance, the progress made during the last year, and the challenges we face for next years in each area.



- | Identification of material topics | Prioritization of material topics | Validation of material topics |
|---|---|--|
| <ul style="list-style-type: none"> • Review of external and internal information sources of the industry and the company, about sustainability aspects. • Identification of 26 relevant topics to be analyzed and prioritized | <ul style="list-style-type: none"> • Consultations with stakeholders • Analysis of the company's economic, social and environmental impacts | <ul style="list-style-type: none"> • Nine (9) prioritized topics • Validation by the Customer Experience Vice Presidency and the Stakeholder Relationship and Sustainability Office. |

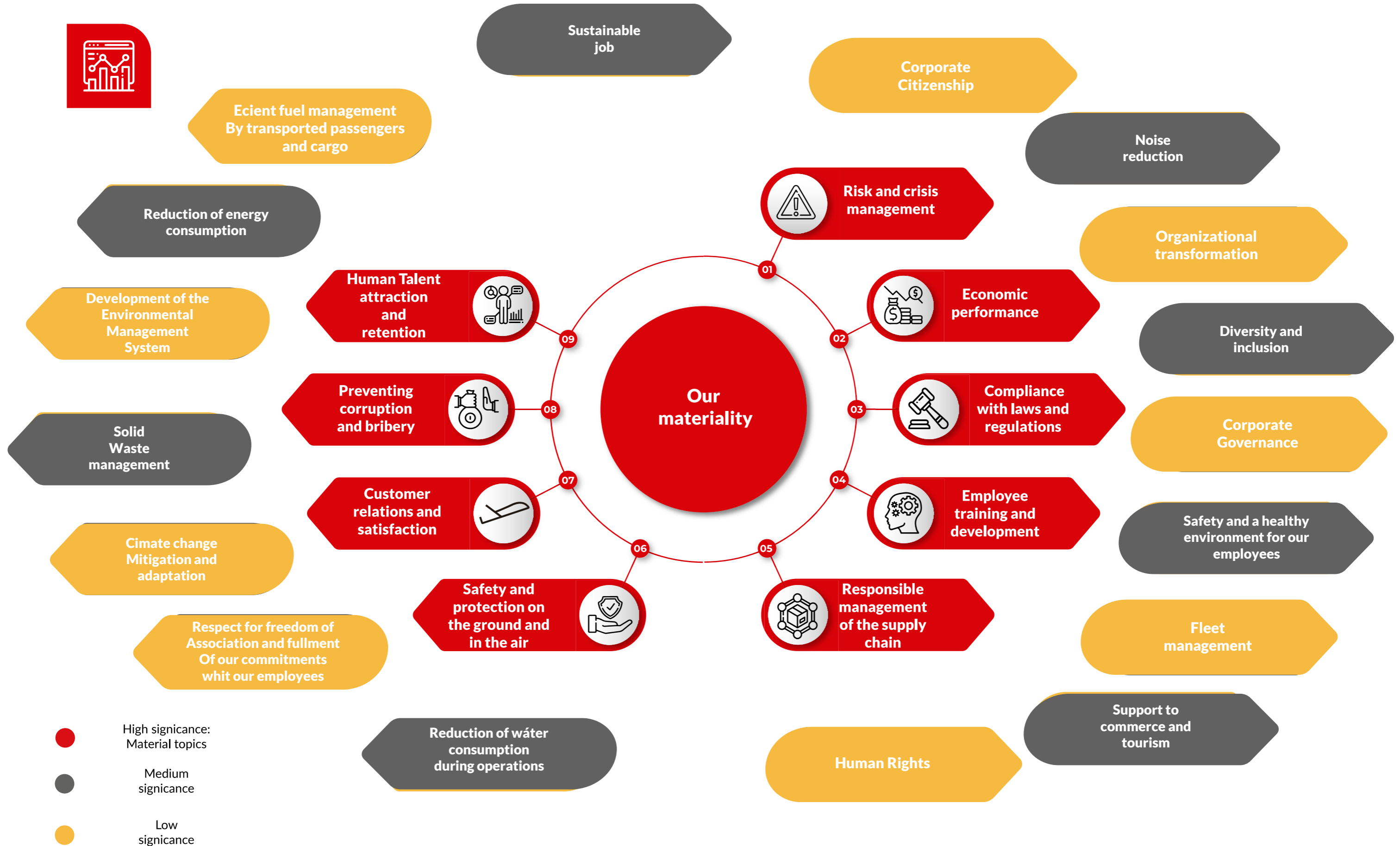
Our materiality

A total of 26 relevant matters were identified through the materiality analysis, nine (9) of which were classified as high-impact or material topics. The result of the prioritization of the universe of topics and the relevant matters is shown below:

Material topic	Chapter
Customer relations and Satisfaction	Our customers, our top priority
Economic development	Ensuring company's sustainability through value creation
Compliance with laws and Regulations	The essence of our actions: ethics and integrity
Preventing corruption and bribery	The essence of our actions: ethics and integrity
Attracting and retaining talent	Comprehensive development of our employees
Employee training and Development	Comprehensive development of our employees
Safety and protection on the ground and in the air	Operation management: risk and safety
Risk and crisis management	Operation management: risk and safety
Responsible management of the supply chain	Ensuring company's sustainability through value creation



The information contained in this report was prepared using the topics what were considered highly relevant by our main stakeholders and for the company. The contents on our material topics can be found in the following chapters of this report:





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GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization profile				
GRI 102-1 Name of the organization	Avianca Holdings S.A.			About us
GRI 102-2 Activities, brands, products and services				About us
GRI 102-3 Location of headquarters	Avianca Holdings S.A Calle 26 # 59 - 15 Bogotá, Colombia			
GRI 102-4 Location of operations				Connecting Latin America with the world
GRI 102-5 Ownership and legal form				About us
GRI 102-6 Markets served				About us, Connecting Latin America with the world
GRI 102-7 Scale of the organization				About us, Connecting Latin America with the world, Comprehensive development of our employees, Ensuring company's sustainability through value creation
GRI 102-8 Information on employees and other workers				Comprehensive development of our employees
GRI 102-9 Supply chain				Ensuring company's sustainability through value creation
GRI 102-10 Significant changes to the organization and its supply chain	Significant changes that have taken place over the reporting period in terms of scale, structure, shareholders or the supply chain of the company are indicated in the appropriate sections of the report.			Connecting Latin America with the world
GRI 102-11 Precautionary principle or approach			7	Meaningful engagement with our stakeholders
GRI 102-12 External initiatives			1,5	Meaningful engagement with our stakeholders
GRI 102-13 Membership of associations			1	The essence of our actions: ethics and integrity, Meaningful engagement with our stakeholders

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization profile				
Strategy				
GRI 102-14 Statement from senior decisionmaker				Letter from the CEO
Ética e Integridad				
GRI 102-16 Values, principles, standards and norms of behavior			10	The essence of our actions: ethics and integrity
GRI 102-17 Mechanisms for advice and concerns about ethics				The essence of our actions: ethics and integrity
Gobernanza				
GRI 102-18 Governance structure			10	The essence of our actions: ethics and integrity
GRI 102-19 Delegating authority				The essence of our actions: ethics and integrity
GRI 102-20 Executive- level responsibility for economic, environmental and social topics				The essence of our actions: ethics and integrity
GRI 102-22 Composition of the highest governance body and its committees	Information on the number of senior positions, the commitments of each person and the nature of the commitments; affiliation to under-represented social groups and responsibilities related to economic, environmental and social topics of the members of the management team can be viewed in their published CVs, at: http://aviancaholdings.com/English/corporate-governance/default.aspx			The essence of our actions: ethics and integrity
GRI 102-23 Chair of the highest governance body				The essence of our actions: ethics and integrity

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization profile				
GRI 102-24 Nominating and selecting the highest governance body				The essence of our actions: ethics and integrity
GRI 102-25 Conflicts of interest			1,1	The essence of our actions: ethics and integrity
GRI 102-26 Role of the highest governance body in setting purpose, values and strategy			10	The essence of our actions: ethics and integrity
GRI 102-27 Collective knowledge of highest governance body				The essence of our actions: ethics and integrity
GRI 102-28 Evaluating the highest governance body's performance				The essence of our actions: ethics and integrity
GRI 102-29 Identifying and managing economic, environmental and social impacts				The essence of our actions: ethics and integrity
GRI 102-31 Review of economic, environmental and social topics				The essence of our actions: ethics and integrity
GRI 102-32 Highest governance body's role in sustainability reporting				The essence of our actions: ethics and integrity
GRI 102-33 Communicating critical concerns				The essence of our actions: ethics and integrity
GRI 102-35 Remuneration policies			1	The essence of our actions: ethics and integrity
GRI 102-36 Process for determining remuneration			6	Meaningful engagement with our stakeholders
GRI 102-37 Stakeholders' involvement in remuneration			6	Meaningful engagement with our stakeholders

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization profile				
Participación de los grupos de interés				
GRI 102-40 List of stakeholder groups				Meaningful engagement with our stakeholders
GRI 102-41 Collective bargaining agreements			3	Meaningful engagement with our stakeholders
GRI 102-42 Identifying and selecting stakeholders				Meaningful engagement with our stakeholders
GRI 102-43 Approach to stakeholder engagement				Meaningful engagement with our stakeholders
GRI 102-44 Key topics and concerns raised			1	Meaningful engagement with our stakeholders
Prácticas para la elaboración de informes				
GRI 102-45 Entities included in the consolidated financial statements				About this Annual Report
GRI 102-46 Defining report content and topic boundaries				About this Annual Report
GRI 102-47 List of material topics				About this Annual Report
GRI 102-48 Restatements of information				About this Annual Report
GRI 102-49 Changes in reporting				About this Annual Report
GRI 102-50 Reporting period				About this Annual Report
GRI 102-51 Date of most recent report	The most recent report was for the 2019 period.			About this Annual Report
GRI 102-52 Reporting cycle				About this Annual Report
GRI 102-53 Contact points for questions regarding the report				About this Annual Report
GRI 102-54 Claims of reporting in accordance with GRI standards				About this Annual Report
GRI 102-55 Index content GRI				GRI Index
GRI 102-56 External assurance	This year we don't count with external verification.			About this Annual Report

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization				
Temas relevantes del análisis de materialidad				
Economic Development				
GRI 201-1 Direct economic value generated and distributed				Ensuring company's sustainability through value creation
Customer relations and satisfaction				
Own indicator: Complaints Index (IQ)				Our customers, the top priority
Own indicator: Net Promoter Score (NPS)				Our customers, the top priority
Own indicator: On Time Performance (OTP)				Operation management: risk and safety
Own indicator: Short and long-haul flights				Operation management: risk and safety
Own indicator: Schedule completion				Operation management: risk and safety
Own indicator: Zero minute Output				Operation management: risk and safety
Compliance with laws and regulations				
Own indicator: Environmental breaches				Meaningful engagement with our stakeholders
Preventing corruption and bribery				
GRI 205-2 Communications and training on the Anti-corruption Policy			10	The essence of our actions: ethics and integrity
GRI 205-3 Confirmed incidents of corruption and actions taken			10	The essence of our actions: ethics and integrity
Own indicator: Ethics and compliance training			10	The essence of our actions: ethics and integrity
GRI 415-1 Political contributions	In 2020 we made no contributions to political parties and/or representatives.		10	

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization				
Attracting and retaining talent				
GRI 401-1 New employee hires and employee turnover				Comprehensive development of our employees
GRI 401-2 Benefits provided to fulltime employees that are not provided to temporary or parttime employees	We do not offer any stock ownership benefit in any of our operations.		1,6	Comprehensive development of our employees
Own indicator: Engagement survey results			4,6	Comprehensive development of our employees
GRI 405-1: Diversity of governance bodies and employees			6	The essence of our actions: ethics and integrity, Comprehensive development of our employees
GRI 405-2 Ratio of basic salary and remuneration of women to men			1,6	Comprehensive development of our employees
Employee training and development				
GRI 404-2 Programs for upgrading employee skills and transition assistance programs			6	Comprehensive development of our employees
GRI 404-3 Percentage of employees receiving regular performance and career development reviews	With the COVID-19 pandemic, plans to run a performance evaluation by 2020 were halted. As the operation stopped and many employees decided to go on unpaid leave, there would be no operational, financial or customer metrics to measure and few employees to evaluate. Efforts were made to the rapid recovery and to keep the organization safe once the operation returned.		6	Comprehensive development of our employees
Own indicator: Hours of training in the leadership program				Comprehensive development of our employees
Own indicator: Training areas (Avianca Academy before), own and third-party training programs.				Comprehensive development of our employees

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization				
Safety and protection on the ground and in the air				
GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data			1, 2	Operation management: risk and safety
Own indicator: Severe in-flight damage to the engine				Operation management: risk and safety
Own indicator: Aviation accident rate				Operation management: risk and safety
Own indicator: Damage to aircrafts				Operation management: risk and safety
Own indicator: Precursors to loss of control in-flight (LOC-I)				Operation management: risk and safety
Own indicator: Precursors to runway excursions				Operation management: risk and safety
Own indicator: Aircraft security measures and protection against illegal interference				Operation management: risk and safety
Risk and crisis management				
Own indicator: Audits conducted by the regulatory authorities of civil aviation security				Operation management: risk and safety
Own indicator: Safety, Risks and Compliance				Operation management: risk and safety
Responsible management of the supply chain				
Own indicator: Distribution of supplier expenses				Ensuring company's sustainability through value creation
Other GRI indicators included in the Report				
Fleet				
Own indicator: Total aircraft under management				Our fleet
Own indicator: Technical reliability				Our fleet
Own indicator: Turn Around Time				Our fleet
Own indicator: Productivity				Our fleet
Own indicator: Services Planned vs Executed				Our fleet

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization				
Gente				
Seguridad y salud en el trabajo				
GRI 403-1 Workers representation in formal joint management-worker health and safety committees				Comprehensive development of our employees
GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities				Comprehensive development of our employees
Own indicator: Absenteeism and accident rate of the Holding company's direct employees				Comprehensive development of our employees
Own indicator: Industrial health and safety training				Comprehensive development of our employees
Stakeholders				
Internal communications				
Own indicator: Percentage of appropriation of the main corporate topics by Avianca Holdings' employees				Meaningful engagement with our stakeholders
Generating a positive impact on the society				
Own indicator: Engagement and participation in fundamental Sustainability scenarios.				Meaningful engagement with our stakeholders

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization				
Medio Ambiente, construyendo futuro juntos.				
GRI 302-1 Energy consumption within the organization	<ul style="list-style-type: none"> - The total consumption of fuels from non-renewable sources is not reported, as it is not applicable. - No information related to heating, cooling and steam consumption is reported; as well as sale of electricity, heating, refrigeration and steam, since it is not applicable. - The source of the conversion factors used are: Heat value of gasoline 44.3 TJ/Gg (http://www.world-nuclear.org/information-library/facts-and-figures/heat-values-of-various-fuels.aspx) Heat value of diesel 43 TJ/Gg (http://www.world-nuclear.org/information-library/facts-and-figures/heat-values-of-various-fuels.aspx) Gasoline Density 2.574 Kg/gl Diesel Density 3.149 Kg/gl 		7, 8, 9	Meaningful engagement with our stakeholders
GRI 302-4 Reduction of energy consumption	<ul style="list-style-type: none"> • The reduction in energy consumption was due to the closure of different work centers for several months due to the health emergency and also a direct result of our initiatives of conservation and efficiency is from: * Fuel consumption by emergency electric generators: 0.62 TJ * Consumption of purchased electricity: 12.62 TJ * Energy consumption by ground vehicle fuel in Terajoules 28.06 TJ 		7, 8, 9	Meaningful engagement with our stakeholders
GRI 303-1 Water extraction by source			7, 8, 9	Meaningful engagement with our stakeholders
GRI 305-1 Direct GHG emissions (scope 1)	<ul style="list-style-type: none"> • The report on this indicator does not include Biogenic Emissions, because they are not applicable. • The source of the emission factors and the global warming potential (GWP) used are those established in the document: Fifth Assessment Report, IPCC 2014. • The approach used for consolidation of emissions was operational control. 		7, 8, 9	Meaningful engagement with our stakeholders

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization				
GRI 305-2 Energy indirect (scope 2) GHG emissions.	<p>The source of the emission factors and the global warming potential (GWP) used or referenced to the source of GWP are:</p> <p>Energy emission factor Colombia: 0.13 t CO₂/MWh (2019. Unidad de planeación Minero-Energética de Colombia, Resolución 642 de 2019).</p> <p>Energy emission factor El Salvador: 0.0365 kg CO₂/KWh (2020. Instituto Meteorológico nacional. Factores de emisión gases efecto invernadero. Décima edición. Pág. 4)</p> <p>Energy emission factor Costa Rica: 0.0365 kg CO₂/KWh (2020. Instituto Meteorológico nacional. Factores de emisión gases efecto invernadero. Décima edición. Pág. 4)</p> <p>Energy emission factor Guatemala: 0.4877 kg CO₂/ KWh (https://mem.gob.gt/wp-content/uploads/2020/12/BALANCE-ENERG%C3%89TICO-2019-1.pdf).</p> <p>Energy emission factor Ecuador: 342.6 g CO₂/KWh (CTFE-Comisión Técnica de determinación de Factores de emisión de gases de efecto Invernadero. (2019). FACTOR DE EMISIÓN DE CO₂ DEL SISTEMA NACIONAL INTERCONECTADO DE ECUADOR INFORME 2019. Ecuador.)</p> <p>Conversion factor: 1T = 278,000 KWh</p> <ul style="list-style-type: none"> • The approach used for consolidation of emissions was operational control. 	The reported amount is the value by location. No values are reported as a function of the market.	7, 8, 9	Meaningful engagement with our stakeholders
GRI 305-4 GHG emissions intensity	<ul style="list-style-type: none"> • The specific parameter selected to calculate the ratio is revenue passenger kilometers (RPK) per 100 passengers. • The type of GHG emissions included in the intensity ratio are direct emissions (scope 1), in kg of CO₂ emitted by the aircraft. • The gas included in the calculation is CO₂. • Energy emission factor Colombia: 0.13 t CO₂/ MWh (2019. Unidad de planeación Minero-Energética de Colombia, Resolución 642 de 2019) 		7, 8, 9	Meaningful engagement with our stakeholders
GRI 305-7 Nitrogen oxides (NOX), sulfur oxides (SOX) and other significant air emissions	<ul style="list-style-type: none"> • Significant air emissions are reported in tons of NO_x. 		7, 8, 9	Meaningful engagement with our stakeholders

GRI Index

General Content/ GRI Standard/ Own Indicator	Page/ URL/ Direct Response	Omissions	Global Compact Principles	Chapter
Organization				
GRI 306-2 Waste by type and disposal method			7, 8, 9	Meaningful engagement with our stakeholders
Own indicator: Fuel RPK				Meaningful engagement with our stakeholders
Own indicator: Environmental expenses and investments			7, 8, 9	Meaningful engagement with our stakeholders
Own indicator: Percentage of non-hazardous waste reused			7, 8, 9	Meaningful engagement with our stakeholders
Own indicator: Percentage of hazardous waste recovered			7, 8, 9	Meaningful engagement with our stakeholders
Own indicator: Specific fuel consumption for cargo transport			7, 8, 9	Meaningful engagement with our stakeholders
Own Indicator: Specific NOX emissions for cargo transport			7, 8, 10	Meaningful engagement with our stakeholders

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Avianca Holdings Annual Corporate Governance Report



Avianca Holdings S.A. (the "Company") has a corporate governance structure that establishes general corporate governance guidelines applicable to the Company and its subsidiaries, notwithstanding the adoption of individual policies by each subsidiary company shall comply with its bylaws and the applicable regulatory framework.

In order to comply with the Company's commitments with its various stakeholders, the Company discloses information to the market in a timely manner, based on principles of transparency, timeliness and accuracy. The Company discloses complete financial information, as well as the analysis of its quarterly results, which are shared with the market in accordance with applicable laws.

In 2020, the Company followed good practices adopted in line with the standards of the IR Recognition program of the Colombian Securities Exchange, mainly by prioritizing its management on the proceeding of relevant information disclosure to the market, risk control and improvement in the control architecture proceeding.

The Company has received five IR Recognitions awarded by the Colombian Securities Exchange, certifying it as an Issuer with corporate governance standards that are more demanding than the local minimum requirements.

The Company has listed its preferred shares in the National Registry of Securities and Issuers, which are traded on the Colombian Securities Exchange. It also has registered American Depositary Shares ("ADS") on the US OTC Markets since June 2020.

As the parent company of various companies, the Company defines the corporate governance model applicable to its subsidiaries, with the following main objectives:

- Create value through transparent corporate management.
- Comply with the rights of Shareholders and Investors and ensure equal treatment for all those who belong to the same stakeholder group.
- Implement good corporate governance practices to enable the compliance of legal obligations and the commitments acquired with investors and the securities market.
- Create an ethical culture in the Company and its subsidiaries.

In 2020 the Company implemented the following tools to ensure an adequate control environment:

Corporate documents

- Avianca Holdings S.A. Social Pact
- Corporate Governance Code
- Board of Directors Charter
- Shareholders Meeting Charter
- Audit and Corporate Governance Committee Charter
- Finance and Investment Committee Charter
- Compensation and Human Resources Committee Charter

Good Governance policies

- Business Code of Ethics and Code of Conduct
- Anti-corruption Policy
- Insider trading Policy
- Policy of the Comprehensive System for the Prevention and Control of Money Laundering and Terrorism Financing (SIPLAFT, for the Spanish original)

Support committees

- Audit and Corporate Governance Committee
- Finance and Investment Committee
- Compensation and Human Resources Committee
- Executive Committee
- Ethics Committee

Good Governance tools

- Shareholder and Investor Relations Office
- Ethics Helpline



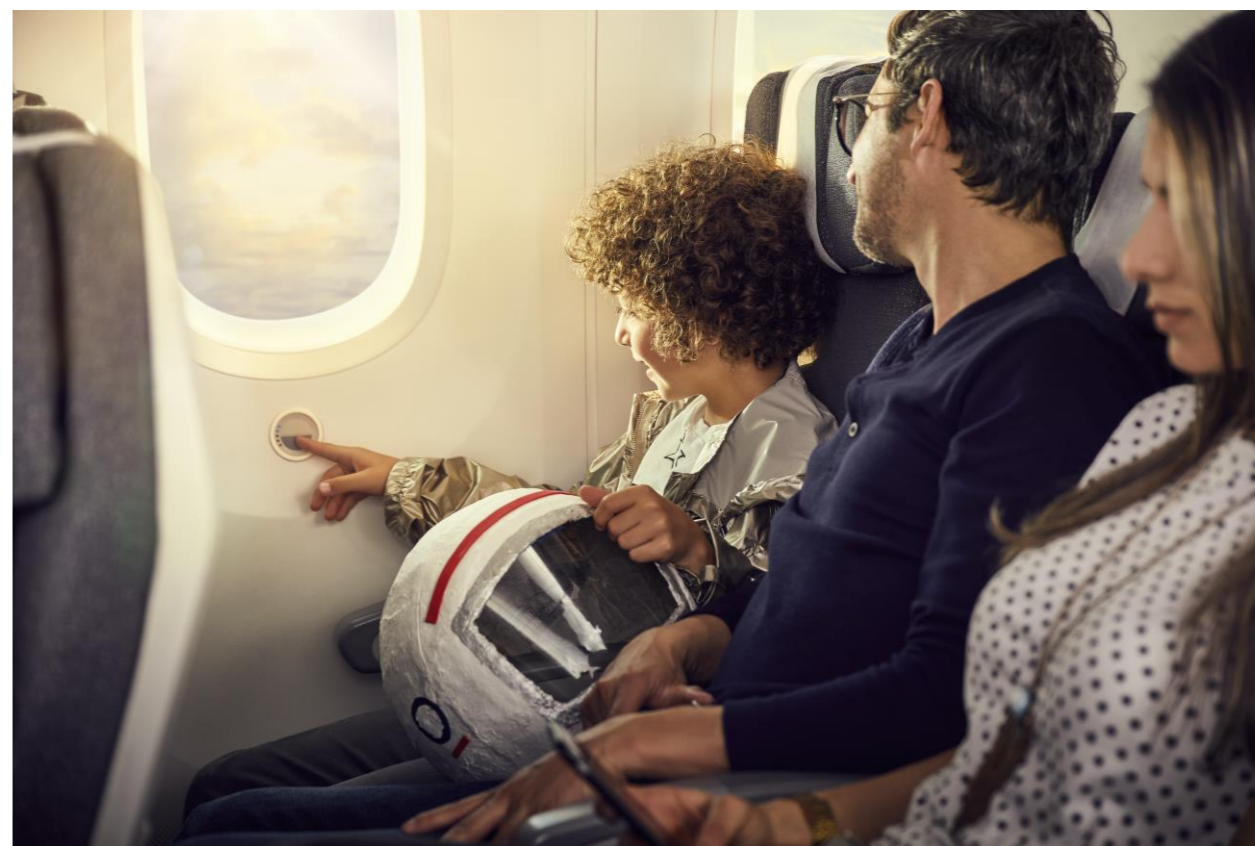
In 2020, the Company complied with the applicable regulatory requirements set by Colombian and international authorities, namely: The Financial Superintendence of Colombia (“SFC”), the Colombian Securities Exchange (“BVC”) and the Securities and Exchange Commission (“SEC”). It also complied with the internal policies and procedures established by the Company to ensure the proper management of its practices. Through the Internal Audit reports and reports of the Board's Audit and Corporate Governance Committee, the Board performed the required follow-up and monitoring within the scope of the practices implemented by the Company and its subsidiaries regarding Corporate Governance and internal control.

On May 11, 2020, the New York Stock Exchange (“NYSE”) suspended trading of the Company’s ADS, as a result of the Company’s filing on May 10, 2020 of voluntary petitions under Chapter 11 of the United States Bankruptcy Code (the “Chapter 11 Cases”) in the U.S. Bankruptcy Court for the Southern District of New York (the “Court”). The NYSE also notified the Company its decision to apply to the SEC to delist the ADSs once any applicable procedures were completed, including any appeal by the Company of the NYSE staff’s decision. This process concluded in June 2020 and the Company’s ADSs since then trade on the US OTC markets.

On May 26, 2020 the BVC notified the Company that trading of its preferred stock, will be conducted by means of auctions starting on May 26, 2020. The decision was adopted by its Equity Technical Committee due to: (i) Avianca’s voluntary filing for protection under Chapter 11 in the Court ; (ii) the NYSE decision to commence the delisting process of Avianca’s ADRs; (iii) the fact that, as a result of (i) and (ii) above, the price of Avianca’s shares on the BVC has been subject to increased volatility (iv) the existence of a percentage of unsatisfied offers in view of the number of shares currently in circulation; and (v) the fact that instruments subject to trading by auction there are no applicable ranges of prices for the placing of trades, which allows for a more efficient price formation process under the current circumstances.

The Company provided information through the following channels:

- Comprehensive System of Securities Market Information (SIMEV, for the Spanish original).
- Securities and Exchange Commission (SEC).
- Website: www.aviancaholdings.com.
- Events and conferences, including Non Deal RoadShows (NDR).
- Quarterly results conferences.
- Direct contact with the Investor Relations Department.





1. Ownership structure

1.1 Corporate capital

The Company's authorized capital is FIVE HUNDRED MILLION US DOLLARS (USD 500,000,000.00) divided into FOUR BILLION (4,000,000,000) common shares or shares with preferred dividends without voting rights, with face value in US dollars, legal tender, of twelve point five cents (USD 0.125) each.

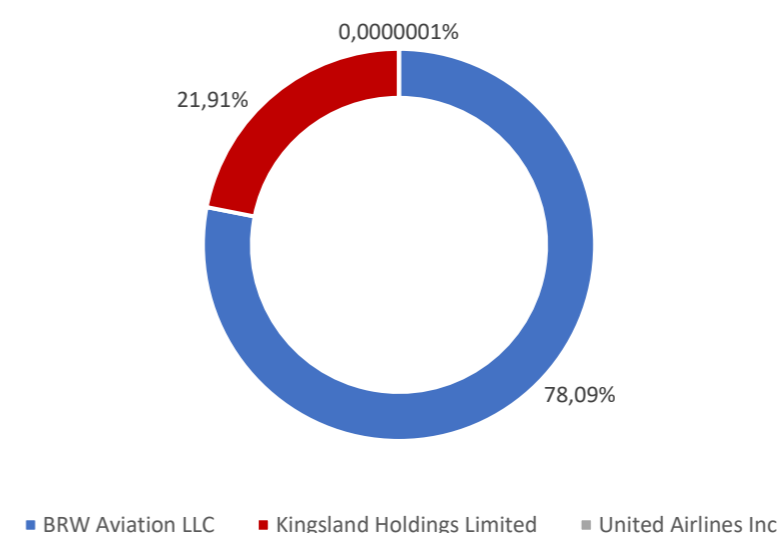
Corporate capital is represented by SIX HUNDRED AND SIXTY MILLION EIGHT HUNDRED THOUSAND AND THREE (660,800,003) common shares with voting rights and THREE HUNDRED AND FORTY MILLION, FIVE HUNDRED AND SEVEN THOUSAND, NINE HUNDRED AND SEVENTEEN (340,507,917) preferred shares without voting rights, for a total of ONE BILLION, ONE MILLION, THREE HUNDRED AND SEVEN THOUSAND, NINE HUNDRED AND TWENTY (1,001,307,920) shares, distributed as follows:

Common shares:

Of total (100%) of common shares with voting rights, 78.09% belong to BRW AVIATION LLC ("BRW"), a company incorporated in Delaware, whose final beneficiaries are the brothers Germán Efromovich and José Efromovich(*) ; 21.91% belongs to Kingsland Holdings Limited ("Kingsland"), a company incorporated in Bahamas, whose final beneficiaries are Mr. Roberto Kriete and his family members, and 0.0000001% owned by United Airlines, Inc. ("United"), a company incorporated in Delaware.

(*) Faced with the breach of a guaranteed loan between BRW and United, on May 24, 2019, United took remedial measures, which essentially consisted in appointing an independent third party to exercise the voting rights of the shares in BRW and consequently in its subsidiary Avianca Holdings S.A. ("AVH"). Such independent third party is Kingsland, the largest minority shareholder of AVH. The property owned by BRW in AVH has not been transferred. United has not taken control of AVH, its operation, its service, or business decisions. The contractual rights exercised by United to date consist of appointing an independent third party (i.e. Kingsland) to exercise the right to vote in BRW and its subsidiary AVH. This means that Germán and José Efromovich still have the indirect ownership of BRW. Roberto Kriete, the leader of the Kriete family, ultimate beneficial owners of Kingsland, is a Colombian citizen. BRW's ultimate beneficial owners (i.e. Germán and José Efromovich) are also Colombian citizens.

Common shares 2020



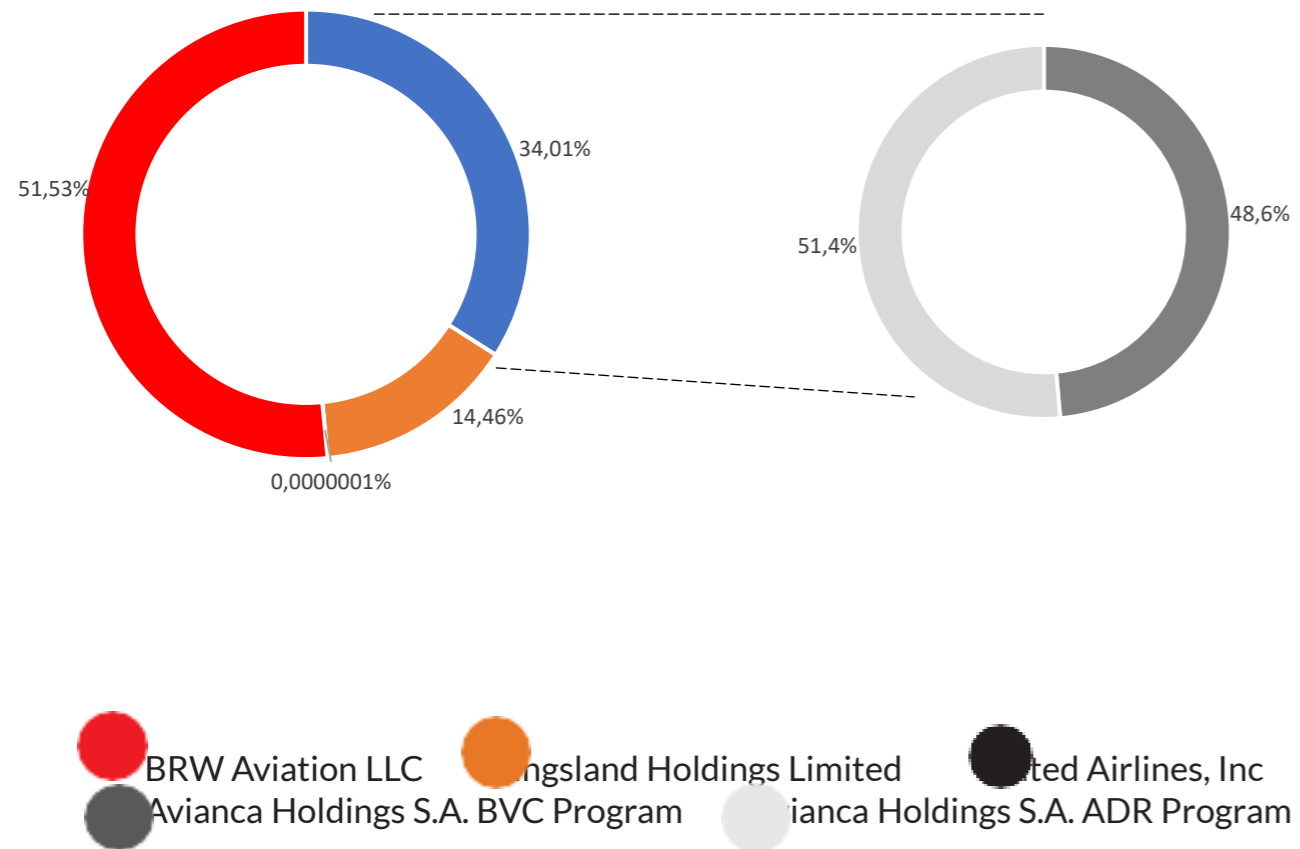
Preferred shares

Of total (100%) shares outstanding, 34,01%, equivalent to THREE HUNDRED AND FORTY MILLION, FIVE HUNDRED AND SEVEN THOUSAND AND NINE HUNDRED SEVENTEEN (340,507,917) shares with preferred dividends and no voting rights. Of such amount, 51,4% are traded on the US OTC Markets ("OTCUS") in the form of ADRs (American Depositary Receipts) and 48.6% are traded on the Colombian Securities Exchange (BVC).



1.2 Shareholder structure

At December 31, 2020, the following was the distribution of the ONE BILLION, ONE MILLION, THREE HUNDRED AND SEVEN THOUSAND, NINE HUNDRED TWENTY (1,001,307,920) outstanding shares, including the Company's common and preferred shares:





1.3 Main shareholders

The list below displays the company's top 25 shareholders of both common and preferred shares as of December 31, 2020

Avianca Holdings S.A. Ownership Structure, December 31 2020					
25 Principal Shareholders					
No	Shareholder	Ordinary Shares	Preferential Shares	Total Shares	Total % Participation
1	BRW AVIATION LLC	515.999.999		515.999.999	51,53
2	KINGSLAND HOLDINGS LIMITED	144.800.003		144.800.003	14,46
3	AVIANCA HOLDINGS S.A. ADR PROGRAM		174.905.160	174.905.160	17,47
4	MADRID VASQUEZ LUIS GUILLERMO		7.000.000	7.000.000	0,70
5	ERFOST SAS		5.455.392	5.455.392	0,54
6	FIDUBOGOTA - PA PLAN INCENTI AVIANCA TACA HOLDING		4.320.632	4.320.632	0,43
7	ARANGO MUNOZ JUAN CARLOS		2.639.964	2.639.964	0,26
8	MILLAN LOZANO ELDER		2.400.000	2.400.000	0,24
9	TANGARIFE GARCIA JULIO CESAR		1.500.000	1.500.000	0,15
10	TABARES OSORIO ALEXANDER		1.252.668	1.252.668	0,13
11	PATRIMONIO AUTONOMO MCH		1.180.502	1.180.502	0,12
12	TAFUR OREJUELA FRANCISCO JAVIER		1.172.985	1.172.985	0,12
13	BORRERO ANGEL NICOLAS		1.162.257	1.162.257	0,12
14	MILLAN LOZANO ELDER		1.100.000	1.100.000	0,11
15	MELO HERNANDEZ HELBER ALONSO		1.036.791	1.036.791	0,10
16	NARVAEZ GARCIA RICARDO		1.016.000	1.016.000	0,10
17	CORPORACION UNIVERSITARIA DE CATALUÑA		1.000.653	1.000.653	0,10
18	GONZALEZ LUQUE ERNESTO CARLOS		1.000.000	1.000.000	0,10
19	MANUFACTURAS ESPECIALIZADAS DE CONFECCION S.A.S		1.000.000	1.000.000	0,10
20	TAFUR BERNAL FRANCISCO JAVIER		987.503	987.503	0,10
21	VELEZ BOTERO WILLIAM EDWIN		978.000	978.000	0,10
22	TABARES OSORIO OLIVER AUGUSTO		891.858	891.858	0,09
23	URIBE ISAZA ALBERTO DE JESUS		890.000	890.000	0,09
24	MOLINA LOPEZ MAURICIO DE JESUS		850.000	850.000	0,08
25	GIRALDO PAZ DAVID		741.150	741.150	0,07
	Others	1	126.026.402	126.026.403	12,59
	Total Shares	660.800.003	340.507.917	1.001.307.920	100,00
	Shares repurchased				
	Total Shares subscribed and paid	660.800.003	340.507.917	1.001.307.920	100,00



1.4 Indirect shareholdings in the Company's capital by members of the Board of Directors

As of December 31, 2020, Mr. Roberto Kriete was the only Board member with indirect shareholding in the Company's capital:

Name	Indirect interest through	Common shares	Percent of total	Preferred shares
Roberto Kriete	Kingsland Holdings Limited*	144,800,003	21.91%	N/A

(*) Special-purpose company incorporated under the laws of Bahamas, 100% owned indirectly by Fundación Fomento y Desarrollo. Mr. Roberto Kriete and his family have indirect control over the shares of Kingsland.

1.5 Family, business, contractual or corporate relations between significant shareholders and the Company, or relations of significant shareholders with each other.

The notes to the Financial Statements include a list of business and contractual relations between significant shareholders and the Company.

1.6 Trading in shares and other securities issued by the Company by members of the Board of Directors, Senior Management and other managers.

The Company has no report on the sale of its issued shares by any member of the Board or Senior Management.

1.7 Joint Action Agreement signed between BRW Aviation LLC, Kingsland Holdings Limited, United Airlines, Inc., Avianca Holdings S.A. and Synergy Aerospace, Corp.

On November 30, 2018, the Joint Action Agreement (the "JAA") signed between the Company, Kingsland, United and Synergy Aerospace Corp. came into effect, whose terms regarding corporate governance aspects have been incorporated in the Company's Social Pact.

The following are the most relevant aspects of the JAA:

- It regulates the rights of the shareholders BRW, Kingsland and United to appoint directors.
- It provides that a majority of the Company's directors must be independent according to the rules and regulations of the NYSE.
- It provides that the Company's operations are the responsibility of Management under the direction and supervision of the Board of Directors.
- It grants BRW, Kingsland and United the right to prior approval, prior to consideration by the Board of Directors, regarding certain strategic transactions by the Company and its main subsidiaries, including, among others:
 - Mergers and consolidations.
 - Certain acquisitions or investments in amounts above ten million US dollars (USD 10 million) per single transaction, and above twenty-five million US dollars (USD 25 million) in the aggregate in one period, unless they have been previously included in the Company's annual budget.
 - The Company's business plan and annual budget.
 - Substantial changes to the Social Pact and corporate documents.
 - Increase or reduction in the size of the Board of Directors.
 - The issuance of shares with voting rights.
 - Related party transactions with the shareholders that are parties of the JAA, Company Directors or Managers, or any of their respective family members or affiliates.
- It provides that certain transactions of the Company and its main subsidiaries must be approved both by a majority of Board members and a majority of independent Directors.
- Filing and/or withdrawing any lawsuit exceeding the amount of five million US dollars (USD5 million).
- Filing for bankruptcy or insolvency and/or for winding-up or liquidation proceedings or a winding-up or liquidation agreement.
- Certain debt situations.
- The approval or amendment of any stock-based incentive plans.
- The formalization of certain material or long-term contracts or licenses.
- Any amendment to the Company's dividend policy.



1.8 Treasury shares held by the Company

The Company has no repurchased treasury shares.

2. The Company's management structure

2.1 Appointment of the Board of Directors

As of December 31, 2020, the Board of Directors is comprised by nine (09) principal members and eight (08) alternate members. Most of the principal directors are independent according to the provisions of the rules and regulations of the NYSE.

2.2 Governance bodies

The bodies responsible for corporate governance are listed in the chart below.

The Executive President or Chief Executive Officer ("CEO") reports to the Board of Directors and the Chief Officers report to the CEO. On November 11, 2020, the Board of Directors appointed a Corporate Executive Vice President who will assume responsibilities related to the airline's operation and the Company's legal affairs. Management has established several specialized committees, whose scope covers all the subsidiaries of the Company.

Shareholders'
meeting

Board of Directors

Executive Committee



Audit Committee



Finance Committee



Human Resources and
Compensation Committee



CEO Anko van der Werff



Executive Leadership Team



2.3 Board committees

During 2020, the Board had four committees: An Audit and Corporate Governance Committee (the “Audit Committee”), a Finance and Investment Committee (the “Finance Committee”) and a Compensation and Human Resources Committee (the “Compensation Committee”), which define the guidelines and policies applicable to the Company and its subsidiaries. There’s also an Executive Committee that complies the functions defined in the Social Pact and the JAA.

Executive Committee

Prior to each Board meeting, the Executive Committee must be informed of all matters to be discussed at such meeting. The Committee is comprised by three members of the Board of Directors as follows: two independent directors and one director by consensus.

The following independent members of the Board of Directors are part of the Executive Committee as of December 31, 2020:

- Álvaro Jaramillo
- James P. Leshaw
- Oscar Morales

Audit and Corporate Governance Committee

Its primary duty is to support the Board of Directors in supervising: i) the effectiveness of the internal control, financial control and risk management systems of the Company and its subsidiaries; ii) the integrity of the financial statements, iii) adequate performance of corporate audit, iv) compliance with the corporate governance practices adopted by the Company, and v) the independence, objectivity and performance of the External Auditor and the authorization of any additional services to be provided by the External Auditor, other than issuing an opinion on the financial statements, as well as abidance by the legal requirements of public security market regulations.

The following independent members of the Board of Directors are part of the Audit Committee as of December 31, 2020:

- Oscar Darío Morales (Chairman)
- Rodrigo Salcedo
- James P. Leshaw





The Company's CEO, Chief Financial Officer (CFO), Legal VP and Corporate Auditor attended all meetings of this Committee. The Compliance Officer, External Auditor and other chief executives and directors may be invited as guests to discuss situations that have an impact on the Company's internal control, progress in following up on audit reports and special approvals.

The following were the main topics discussed in 2020:

- Presentation, approval, and monitoring of the corporate audit plan.
- Reports on audit results and follow-up on such results.
- Reports by Corporate Audit related to special requests made by the Board of Directors and Management.
- Reports on results of SOX control tests.
- Review of the level of maturity of the Information Security and Cybersecurity Management System.
- Review of control procedures and processes disclosed by the Company in the 20F report.
- Review and Joint approval with the Financial Committee of the 2020 quarterly financial statements.
- Results of Ethics Hotline cases investigated by Corporate Audit.
- Review of the Ethics Committee Report on cases reported to the Ethics Hotline and actions taken
- Review of Company-level risks.
- Review of the Anti-corruption Policy.
- Review of Ethic Code
- Results of the Ticket and Airbus investigations
- Results of Go Live to new ERP – SAP
- Results project stabilization to ERP – SAP
- Presentation of 2020 Corporate Audit Structure & Timetable Projects - Control Assessment
- Review OFAC Sanction program approval
- Presentation of remote IT Security Controls – COVID19
- Review of special approvals of related party transactions submitted to approval by the Board of Directors.
- Approval of fees for the appointed External Auditor 'fee, including any additional services, taking into consideration his/her assessment of independence.
- Periodic presentation by the External Auditor of his/her assessment of the internal control of financial reporting and the results of his/her review of the financial statements.
- Performance report on the Company's Internal Control System.



Compensation and Human Resources Committee

The Committee was created to set forth the model and strategy for the development and management of human resources and to recommend the core principles, objectives and goals regarding compensation of the Company's personnel.

The following independent members of the Board of Directors are part of the Compensation Committee as of December 31, 2020:

- Jairo Burgos (Chairman)
- José Gurdian
- Roberto Kriete
- James P. Leshaw
- Rodrigo Salcedo

The CEO and Legal VP attend the meetings of the Committee on a permanent basis.

The following were the main topics discussed in 2020:

- STI and LTI 2019 results
- Goals for 2020
- Board remuneration
- Employee Relationship
- Payroll April 2020 payment initiatives
- Others initiatives to employees
- Payroll May scenarios
- Retention Plan
- Update LNR Program
- Update HC and payroll November
- Retention bonus
- Objectives and metrics 2020 and 2021



Finance and Investment Committee

This committee was created to perform detailed monitoring of the Company's financial performance, as well as of the associated risk management. It is responsible for analyzing and advising the Board of Directors on the capital and debt structure. As an improvement of the Company's good corporate governance practices and in compliance with the Securities Exchange Act of 1934 and Colombian Law, the Finance Committee was removed on August as part of the strategy of a new Committee structure to be implemented in 2021.

The following directors were members of this committee as of August 2020:

- Álvaro Jaramillo (Chairman)
- Roberto Kriete
- Oscar Morales
- Richard Schifter
- Fabio Villegas

The CEO and CFO attended the meetings of this committee on a permanent basis.

The following were the main topics discussed in 2020:

- Review of the annual and mid-term financial statements prior approval of the Board of Directors.





2.4 Summary of Board members' CVs

A summary of the Board members' CVs is included in the Management Report, which is available at our website www.aviancaholdings.com.

2.5 Changes in the Board of Directors during 2020

In the Ordinary Shareholders Meeting held on March 27, 2020, Mr. José Gurdian was appointed as Principal Member replacing Mr. Juan Emilio Posada. Mr. Robert Zamora and Mr. Sergio Michelsen resign in May and June 2020 respectively.

Participation of the Company's Board members in subsidiaries.

Roberto Kriete, Álvaro Jaramillo and Oscar Morales, members of the Board of Directors of the Company, are also members of the Board of Directors of Aerovías del Continente Americano S.A. Avianca.

Mr. Roberto Kriete also participates as a member of the Board of Directors of LifeMiles Ltd.

Policies approved by the Board of Directors in 2020

During 2020, the Board of Directors didn't approve new Policies.

Quorum of the Board of Directors

Pursuant to Article fifty-three (53) of Law No. thirty-two (32) of February 26, 1927, on Public Limited Companies issued by the Panama National Assembly, the attendance of the majority of the Board members shall be necessary to constitute a quorum to decide on the Company's business. The Social Pact does not include a different rule.

2.6 Data on attendance to Board and committee meetings in 2020

Number of Meetings Held

Board of Directors

In 2020, twenty-seven (27) Board meetings were held. The following was the Directors' attendance during such period:

MEMBER	% OF TOTAL ATTENDANCE	NUMBER OF MEETINGS
Roberto Kriete	100%	27
Alvaro Jaramillo	93%	25
Oscar Morales	100%	27
James P. Leshaw	100%	27
Richard Schifter	100%	27
Fabio Villegas	93%	25
Rodrigo Salcedo	100%	27
Jairo Burgos de la Espriella	100%	27
José Gurdian*	100%	19
Juan Emilio Posada**	100%	4
Robert Zamora***	90%	9
Sergio Michelsen****	87%	13

*Member of the Board since March 2020.

**Member of the Board until March 2020.

***Member of the Board until May 2020

****Member of the Board until June 2020.



Audit and Corporate Governance Committee

In 2020, twelve (12) meetings of the Audit Committee were held. The following was the Directors' attendance during such period:

MEMBER	% OF TOTAL ATTENDANCE	NUMBER OF MEETINGS
Oscar Dario Morales	100%	12
James Leshaw	100%	12
Rodrigo Salcedo	100%	12
Sergio Michelsen*	100%	6

*Member of the Audit Committee until June 2020

Compensation and Human Resources Committee

In 2020, five (5) meetings of the Compensation Committee were held. The following was the Directors' attendance during such period:

MEMBER	% OF TOTAL ATTENDANCE	NUMBER OF MEETINGS
Jairo Burgos	100%	5
José Gurdían	100%	5
Roberto Kriete	100%	5
James P. Leshaw	100%	5
Rodrigo Salcedo	100%	5
Juan Emilio Posada*	100%	1

*Member of the Compensation Committee until March 2020

Finance and Investment Committee

Until August 2020, two (2) meetings of the Finance Committee were held. The following was the Directors' attendance during such period:

MEMBER	% OF TOTAL ATTENDANCE	NUMBER OF MEETINGS
Alvaro Jaramillo	100%	2
Oscar Dario Morales	100%	2
Roberto Kriete	100%	2
Richard Schifter	100%	2
Fabio Villegas	50%	1

2.7 Chairman of the Board of Directors: Functions and key topics

Since May 2019, Mr. Roberto Kriete has been acting as Chairman of the Board of Directors,.

In accordance with the Board of Directors Charter, the functions of the Chairman are as follows:

- Chair the meeting.
- Formally open and adjourn the meeting.
- Give the floor and ask the speaker to end his/ her presentation when the time assigned runs out.
- Maintain internal order during the meeting.
- Comply with and enforce the Rules of the Board of Directors.
- Decide on the questions or doubts that arise regarding application of the Board of Directors Charter.



2.8 Secretary of the Board of Directors: functions and key topics

In accordance with the Board of Directors Charter, the Company's Secretary shall also act in the capacity of Secretary of the Board of Directors. The Secretary has the following functions:

- Verify the quorum to deliberate and decide prior to the commencement of the meeting.
- Attest to the form of notice and compliance with delivery of relevant information about each of the matters to be discussed at the meeting.
- Prepare the minutes of the respective Board meeting, submit them to approval and sign them as the Secretary.
- Any other duties assigned by law, the Social Pact and the Board of Directors Charter

2.9 External advice received by the Board Directors

As a consequence of the Company's voluntary petition under the Chapter 11 Cases, the Board of Directors received constantly counseling from external advisors such as, Seabury Securities LLC, Oliver Wyman Inc, FTI Consulting and Milbank LLP.

2.10 Information on the implementation of the Board of Directors assessment proceeding, and summary of the results

In compliance with the Corporate Governance Code, each year the Board members complete a self- evaluation of their management and an evaluation of the collective body. The results were presented to the Board in order to implement any plans for improvement that may be required.



3. Related party transactions

3.1 Powers of the Board of Directors regarding Related Party Transactions and conflicts of interest

The Business Code of Ethics and Code of Conduct approved by the Board of Directors govern the management of conflicts of interest. Any situations that entail a potential conflict of interest in which a Board member is involved are evaluated by the Audit Committee and submitted to the Board of Directors for final decision. Any situations that may entail a potential conflict of interest of employees with employment contracts are reviewed by the Ethics Committee.

According to the rules set forth in the Business Code of Ethics and Code of Conduct, the act or transaction that gives rise to the potential conflict of interest may only be authorized when it does not compromise the interests of the Company and complies with the market conditions that would be applicable if the act or transaction were carried out with a third party.

Authorization must be in writing and notified directly to the party involved. Until the authorization is duly notified, the party involved shall refrain from carrying out the corresponding act and/or transaction.

3.2 Details of the most relevant related Party Transactions in the Company's opinion, including transactions between business group companies.

The Company currently engages in financial and commercial transactions with related parties; these transactions are performed on an arm's length basis in the normal course of business, subject to the same terms that would apply to transactions with third parties.

The notes to the Financial Statements disclose the details of related party transactions for the years ended December 31, 2019 and 2020.

3.3 Reported conflicts of interest and actions taken by Board members.

In 2020, Roberto Kriete, Jose Gurdian and Rodrigo Salcedo reported a conflict of interest regarding the approval of certain lending transactions pertaining to a super-priority debtor-in-possession term loan (the "DIP Financing") by the Board of Directors.

3.4 Mechanisms to resolve conflicts of interest between business group companies and their application during the period

The functions of the Audit Committee include reviewing the transactions between the subsidiary companies. This review may identify situations that may involve potential conflicts of interest, in which case the appropriate actions are taken to overcome the situation of conflict, or to determine that the transactions must not be carried out.





4. Internal Control System

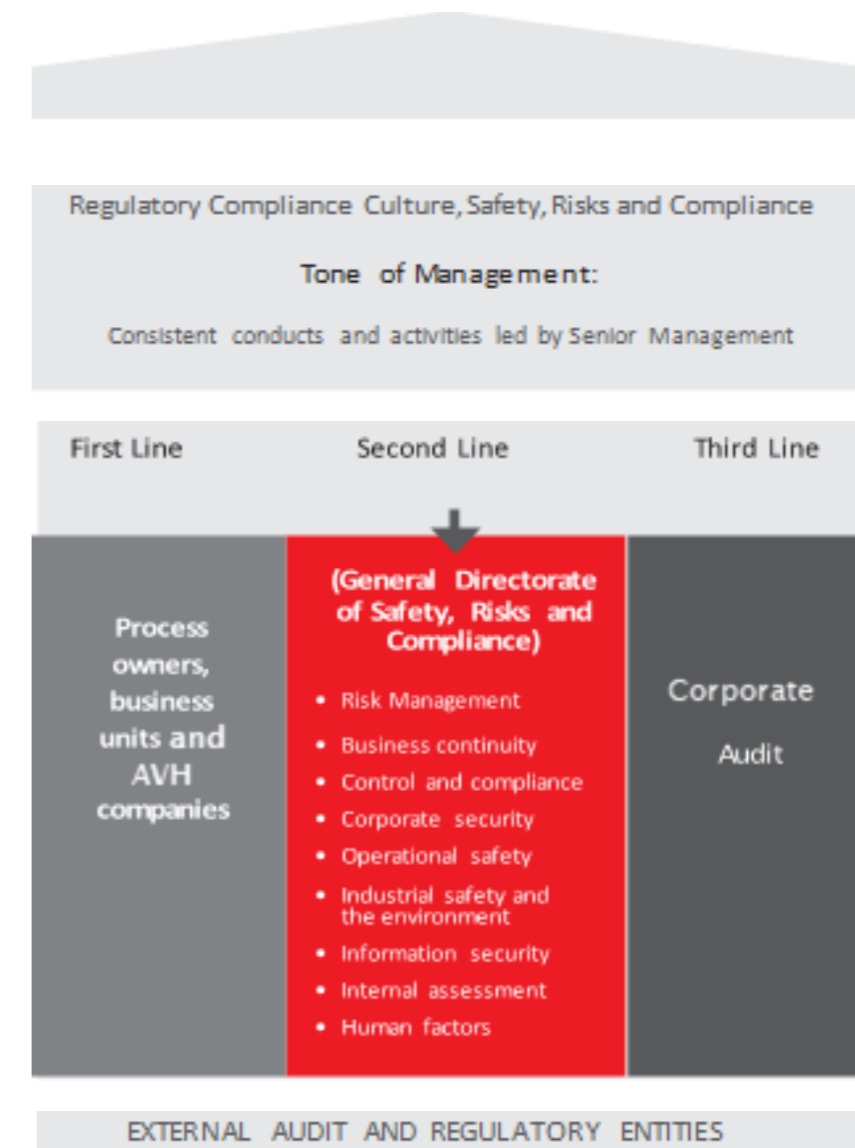
The Company's Internal Control System is based on values, principles, policies, rules, procedures, actions, behaviors, as well as compliance with the regulations applicable to the organization. It is intended to reasonably ensure that the risks to which the Company is exposed during its activities do not affect the fulfillment of its strategic objectives, the performance of its operations, reporting and compliance in general.

4.1 Control environment

The Company is committed to the creation of a culture of integrity, characterized by honesty and commitment to the Organization's values, within the framework of safety, risks and compliance. The Company has a Strategic Management System in place, whose main purpose is to plan, align and monitor the strategy of the Company and its subsidiaries, and the companies it consolidates in its financial statements (the "Organization"), in order to ensure the implementation and functionality of the strategy, and to fulfill the Company's objectives. The strategic direction is defined as part of this process, which is comprised by the Mission, Vision, Values and Strategic Objectives. Through a formal planning exercise, the Company has defined its Direction (Flight 2020), which is in effect for the 2017-2020 period and is leveraged on a portfolio of projects and initiatives intended to attain the Organization's desired vision, as described in said Direction.

In 2020, the Company maintained the responsibilities of the control environment led by the Comprehensive Security, Risks and Compliance Department, whose mission is to guide, develop and maintain the Organization's security, risks and compliance management strategy. This Department is comprised by the Areas of Internal Assessment, Control and Compliance, Operational and Corporate Civil Aviation Safety Risk Management, Occupational Health, Safety and Environmental Risk Management, Information Security and Cybersecurity Enterprise Risk and Business Continuity Management.

The operational strategy of the Department is based on the three lines model, which aims to strengthen control and risk management by aligning roles and responsibilities. The first line is made up of the process leaders, vice presidents and C Level, who are responsible for identifying and managing their risks. The second line, consisting of the Comprehensive Safety, Risks and Compliance Department, is responsible for defining risk management methodologies, for managing the comprehensive risk management system, and for monitoring the design and creation of controls for the first line, and for providing guidance on risk management. The third line independently verifies the effectiveness of risk management and controls through the Organization's Corporate Audit area.



At the end of 2020, the Control and Compliance Office became part of the Legal Vice-presidency, reporting directly to the Legal Vice-President . In this manner, we maintain direct contact with the organization's senior management, to keep it informed of the progress made on the SOX compliance program and to issue alerts on cases, when necessary.



4.2 Risk assessment

The Company has a Comprehensive Risk Management System in place, which is based on four objectives:

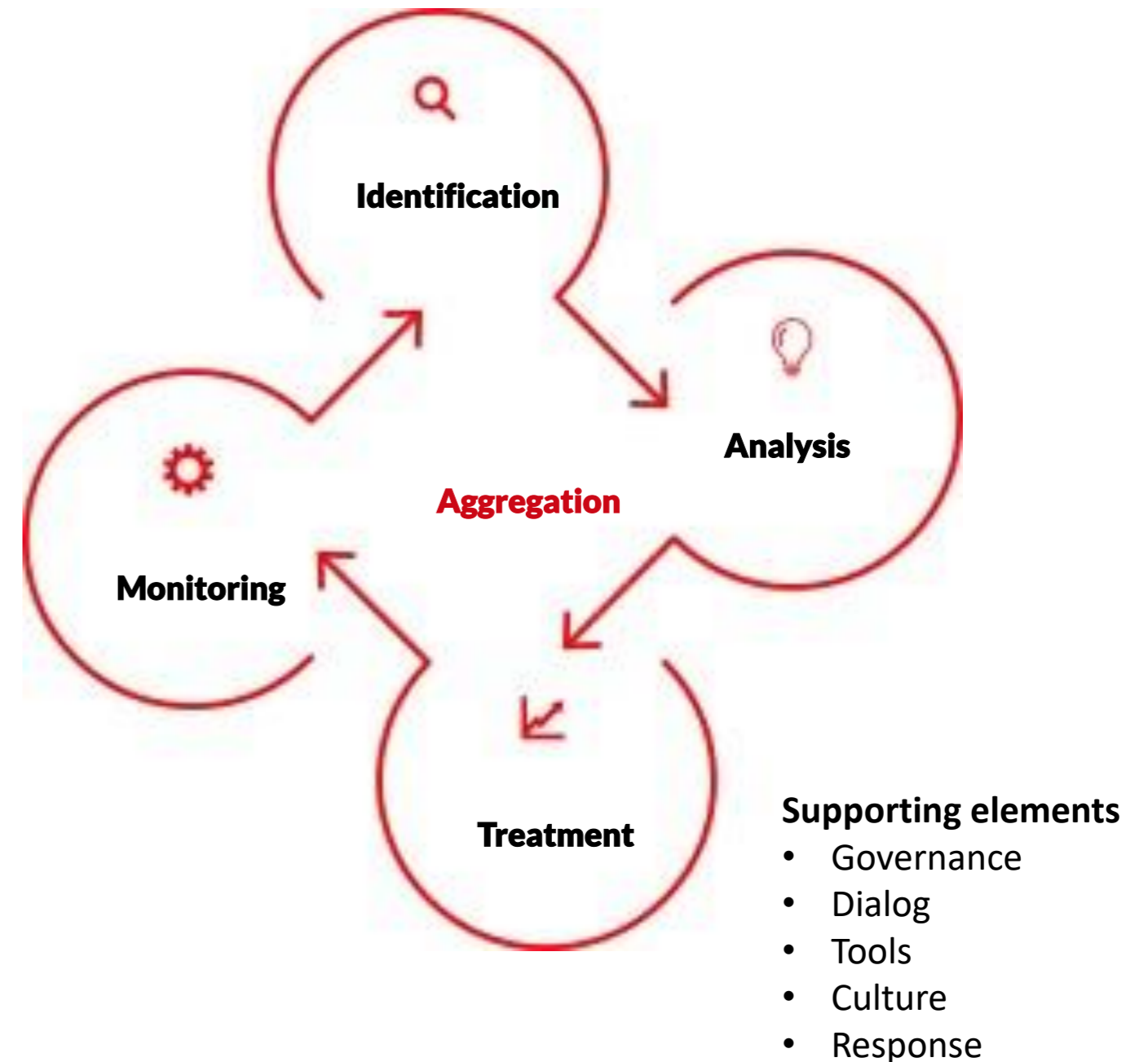
1. Facilitate fulfillment of the Organization's objectives by avoiding or mitigating the impact of any interfering situations.
2. Strengthen customer and shareholder trust by becoming an Organization prepared to manage risks.
3. Risk is part of any business, so it is important to accompany tactical and strategic decision- making with the proper risk analysis and vision, in order to respond in a timely and effective manner to changes in the environment.
4. Integrate the different risk management systems and approaches that must be complied by the Organization in a single Comprehensive Risk Management System.

The model consists of a Comprehensive Risk Management Policy, whose processes and procedures have been designed based on international standards such as ISO 31000 and COSO, which enable the adequate identification, analysis, treatment, monitoring and aggregation of risks at both the strategic and operational levels. The system is centralized and falls under the responsibility of the Safety, Risks and Compliance Department, and the main risk perspectives are:

- Operational safety
- Corporate and civil aviation safety
- Environment
- Occupational health and safety
- Information security and cybersecurity
- Corporate / Strategic
- Fraud
- Financial reporting
- Corruption, bribery, money laundering and terrorist financing
- Business continuity
- Human factors

The Comprehensive Risk Management Model in place is based on a model of ten (10) elements linked by the three lines of defense. The first five make up the cycle through which a risk is managed: identification, analysis, treatment, monitoring and aggregation; the other elements are the basis for the implementation of the system: governance, dialog, culture, tools and business continuity plan.

Risk management cycle





This model is structured in the following fronts: Corporate Risks, Process Risks and Project Risks. Corporate Risks are those related to the compliance of strategic objectives; Process Risks are those that affect process objectives; and Project Risks are those aimed at determining the events that can have an impact on a project's success. Based on these objectives, the following progress was made in the three areas in 2020:

- **Commercial Risk:** Regarding the ability to recover demand at expected levels due to economic recession, low confidence, changes in travelers' behavior trend, especially in corporate customers which start preferring virtual meetings and teleworking minimizing travels. Aggressive behavior of competition.
- **Reputational Risk:** is focus on the Company's high exposure regarding the current processes, relations with governments, and Investigations in course.
- **Political & Regulatory Risk:** Changes in policies and requirements from governments and authorities for the airline industry. Inability of governments to offer enough reliefs needed by industry. US political instability due to president elections.
- **Change Management:** Related to the ability to redefine and adapt the business in an effective manner regarding industry changes, current situation and company needs to emerge from Chapter 11 Cases, as well be sustainable in the long term.
- **Labor Risk:** Mainly related to changes and decisions needed from the labor side, as part of the strategy to emerge from the crisis.
- **Financial Risk:** the main facts are related to decreasing in liquidity levels due to the cease of operations and revenue plumped. Also, challenges to achieve long term refinancing when we emerge from Chapter 11 Cases, and the ability to make a proper execution of restructuring plan including Company's cost structure adjustment to achieve the required profitability levels to guarantee long term sustainability.
- **Cyber Risk:** Losses of confidentiality, availability and integrity of information, as well as service refusals from instructions or cyberattacks on the IT infrastructure. This risk map has been periodically reported to the Senior Management and have been reviewed by the Audit Committee and the Board of Directors.
- **Process-level risks:** During 2020 we were focus on the COVID 19 crisis, making risk analysis at each step of the crisis. Once the operation was stopped, we started an organized risk-based planning for ramp up. It means that the project plan to reactivate the operations after COVID 19 for all the Company airlines, started from a common point which was a risk analysis including not only operational fronts, as flight, maintenance airports, operational control, crews, but also cross cutting and support ones, as financial, legal, commercial, network, human resources, customer service, communications and IT.

Based on the risk assessment, a detailed ramp up plan was built with high safety standards and complying with regulations at all the countries where the Company operates, specially focus on all the new regulation issued because of the Covid 19 pandemic.

- **Project risks:** During 2020, support was provided for the highest-impact projects led by the Strategic Projects Area and other key areas of the Organization, using the project risk management methodology, focusing on providing tools to the project's leader to anticipate situations that may interfere with achieving the project's objectives. In this manner, risk management was maintained during critical projects undertaken by the company, among which the following stand out: SOC Simplification, Fleet densification, Passenger Recovery, Self-Reaccommodation, among others.

Business continuity: During 2020 the crisis management triggered by the Covid 19 pandemic required the activation of the crisis and business continuity management scheme defined and established in 2019.

By the end of February 2020, given the virus conditions, its spread 'speed and expected impact on the global economy and the aeronautical industry, the tactical level was activated by triggering the Incident Management Team ("IMT"), which gathers leaders from the whole Organization. This team guaranteed a holistic view giving guidelines to manage the situation at every step, mitigating current impacts and anticipating their future behavior.

Several workstreams were opened, including: (i) Financial (ii) Operational (iii) Commercial and Network (iv) Communications (v) Political (vi) IT and (vii) Human Resources.

The IMT met weekly, biweekly and daily according to the situation and needs. Likewise, Executive crisis Management Team ("CMT"), was triggered in March and started meeting daily.

We also built business continuity plans and strategies for the main service processes in airports, for all the bases covered by Company, performed two contingency drills for SOC at Bogota and one more at El Salvador, with successful results:

- Fact 24, a tool useful for crisis communication and notification was successfully implemented for all airlines of the Company.
- Emergency Response Plan for all AOC was updated, presented and approved by civil authorities at each country.
- Emergency response plan for each station where the Company operates were updated.
- Emergency Response Drills for each AOC were performed during the year.
- We hired and performed a specialized advisory to improve the Emergency Response Plan.



4.2.1 Description of the risk policy and its implementation during the period

The Comprehensive Risk Management System has a Risk Management Policy in place that defines the guidelines and framework for action to manage the different risks to which the Company and its subsidiaries are exposed, through the implementation of the system. The Policy defines the objectives, scope, authority, governance and guidelines, which are updated in line with the Company's experience and the maturity level reached by the system.

4.2.2 Response and monitoring plans for the main risks

The process of corporate risk identification, analysis, treatment, monitoring and aggregation is carried out on an ongoing basis. During 2020, risk management accompanied all the challenges faced by the Company due to COVID 19 pandemic. The following are the risks and treatments that are addressed:

Risks related to the Company

RISKS	TREATMENT PLAN
a. Commercial Risk	*Commercial Strategies to keep market share and to boost demand during after COVID-19 period
b. Reputational Risk	*Global Communication strategy covering all audiences, aligned with strategic definitions. *Continuous media monitoring
c. Labor Risk	*Labor definitions strictly based on regulation applicable at each country where the Company operates.
d. Financial Risk	*Company Restructuring Plan *Cost restructuring

Environment risks

RISKS	TREATMENT PLAN
a. Cyber Risk	* Technological upgrades, strengthening of monitoring and response strategies against cyberattacks
b. Political & Regulatory risk	* Surveillance of the environment and of the political and economic changes and trends in the countries and formulation of strategies for different scenarios.



4.2.3 Materialization of corporate risks during the period

During 2020 certain events impacted the business, associated with the COVID 19 pandemic and its effects over the aeronautical industry. Due to this situation, the Company's operation had to be stopped for seven months, limiting its operation to cargo and special flights operations. It produced many consequences to the Company's financial health.

Different cash preservation strategies had to be placed to respond to these impacts, including labor decisions and subsidiaries closure, among others. The Company filed for protection under Chapter 11 and entered a comprehensive restructuring strategy focus on being much more cost-efficient, maintaining high safety and quality standards for customers, at the same time, to be feasible for the long term.

4.3 Control activities

Based on the risks identified by the Company, control activities were carried out to mitigate them, in order to achieve the objectives of the business processes. To this effect, the Company continued working on its control environment to address operational, financial reporting and compliance risks.



4.3.1. Operations

4.3.1.1 Operational compliance management program

The operational compliance management program was implemented in the organization in order to ensure adequate levels of safety and compliance by means of an assessment of the design and performance of critical safety processes in the organization.

The program has two parts:

Internal Assessments

The Internal Assessment Program aims to ensure that the organizational processes are designed based on safety and compliance attributes (responsibility, authority, interfaces, procedures, controls, performance measurement and resources) and are documented and implemented in accordance with industry best practices and regulations, with adequate risk controls.

The risk levels of the processes were assessed based on the prioritization model, in accordance with the value chain of each business line: passenger, cargo, and the provision of aeronautical, courier and delivery services. Based on this assessment, the degree of intervention of the business units and processes was determined according to risk level.

About sixteen (16) processes and subprocesses were intervened on the organizational, operational, maintenance and airworthiness fronts, detecting opportunities for improvement to ensure the protection and sustainability of the organization over time





Operational Compliance Program (“OCP”)

As part of the Compliance Monitoring Program (“CMP”), once the processes have been assessed as described above, and are found to comply with the regulations and best industry practices, and have the proper controls in place, the area responsible for the OCP, through audits, that the operational processes have been implemented as described in the documentation.

During 2020, audits continued to be performed on the operational areas, covering both Operations and Maintenance, at all the bases where the Company airlines operate and where it has aeronautical maintenance, repair and overhaul (MRO) organizations, verifying the processes that involve service suppliers, certification of new stations and flight simulators, among others.

This program also incorporated the execution of the annual surveillance of operations and maintenance operations in terms of compliance with the IOSA standard at Avianca Holdings’ seven (7) main air operators, in accordance with IATA requirements.

4.3.1.2. Safety, risk and compliance analytics program

In 2020, work was done on phase III of the implementation of the Safety, Risk and Compliance Analytics Project, managing to incorporate the data generated by the different risk management systems in Safety, Risk and Compliance database. Thanks to this effort, risk and compliance dashboards were reformulated in Power Bi, which are available for reference by those responsible in the organization. They were created from two (2) perspectives:

- Performance regarding the organization's compliance and risk management: these scorecards display the performance of the first line of defense in terms of the implementation of effective controls to mitigate the risks identified by the second and third lines of defense. This enables effective management by those accountable for risks and compliance in the organization.
- Performance of the integrated management and compliance system: these scorecards display information related to the state of compliance with the guidelines defined by the comprehensive risk and compliance system. They enable each risk management system director to oversee the functionality and effectiveness of the system.

4.3.1.3 Fraud Prevention Program

The Fraud Prevention Program has been developed to promote the value of honesty, which aims to implementing actions of transparency, fairness and respect toward everyone, both internally and externally, under the premise of zero tolerance for fraud. The program has been implemented in a framework of prevention, detection and response, managing fraud risk based on the following types:

- a) Embezzlement, any irregular activity that can affect revenues, disbursements, purchases and acquisitions of goods;
- b) Financial Fraud, acts or actions for the purpose of manipulating financial information, financial metrics, cash flow and/or revenue recognition;
- c) Cybercrime, actions on information platforms involving unauthorized access, hacking or vandalism;



4.3.2. Financial Report

The Control and Compliance Office, as part of the second line model coordinates the annual SOX Assessment program for the Company, which includes the following phases: (i) planning and determination of the annual scope; (ii) support owners at the first line in terms of defining and/or updating controls; (iii) validation of adjustments to controls in terms of operational design and effectiveness; and (iv) analysis of final deficiencies for the preparation of the annual report.

The IT general controls (ITGCs) are within the scope of the second line model in terms of support for technology areas, in defining the controls and the action plans required to achieve/maintain software compliance within the scope of SOX.

Process leaders and control implementers participate in the SOX assessment program, along with the Second Line, the Corporate Audit Area as the Third Line, and the External Audit entity, all of which perform their assessments throughout the year and report their findings to the First and Second line and to Senior Management.

The general timetable for SOX control assessment is aligned across the three lines model and the external auditor, holding periodic meetings on the progress made and any new topics that arise, which are handled as a top priority to ensure SOX compliance during the year.

Also, the Second Line is responsible for aligning with the First Line any work plans necessary for new software, entities and/or processes to maintain/achieve compliance with the SOX act.

In 2020, all these activities were covered, and work plans were managed to correct the deficiencies reported at the end of 2019. In addition, the culture of compliance continued to be strengthened regarding the execution of controls and risk mitigation in financial reporting, including business units such as LifeMiles.

In late 2020, the Control and Compliance Office became part of the Legal Office, reporting directly to the Legal Vice-president. We maintain direct contact with the Company's Senior Management, to keep it informed on the progress made on the SOX compliance program and to issue alerts, when necessary.

4.4 Information and communication

4.4.1 Communications on Safety, Risk and Compliance

The Company is constantly issuing and receiving information related to topics of safety, risk and compliance. Therefore, the Company has provided internal and external channels of communication for the different stakeholders, such as:

Internal: E-mail, Intranet, Yammer, CE (Charlie Echo), Pilot/Crew website, among others.

External: Social Media.

In 2020, we continued to strengthen the promotion and dissemination of critical information on security, risk and compliance to the Organization's different audiences, establishing a dynamic and strategic structure within the General Directorate to ensure the alignment and synergy of the topics disseminated by the different management systems.

Different topics concerned to the management of AQD (Quality Airline Data Base), management of findings and proper root cause analysis and action plans, were reinforced. In addition, we continued to communicate different awareness information through campaigns and special courses created for all the employees to emphasize the importance of recognizing and reporting any risk condition through the channels available to do so.

The lessons learned were disseminated, along with critical issues related to the management and addressing of each of the Management Systems that make up the General Directorate.



4.5 Corporate Audit

Through the Audit Committee, the Board of Directors is responsible for supervising the effectiveness of different components of the Internal Control System. In turn, management is responsible for providing assurance regarding the effectiveness of the control architecture and carrying out monitoring of the relevant business processes. During 2020, the Audit Committee approved and followed up on the annual Corporate Audit Plan.

In 2020, Corporate Audit monitored performance of the internal control system in an independent and objective manner through performance of assurance work (financial, technological and operational audits) and advisory to provide added value in its services, using a risk approach and adopting and implementing best practices.

As a result of performance of the Audit Plan approved by the Audit Committee, we issued reports, rating aspects either unstable, partly stable or stable and followed up on the action plans established by those responsible, the results of which were also shared with the Audit Committee and Management.

Verification has also been performed on the functionality of the established controls, and the existing technological systems have been assessed for the effects of preparing financing reports, the results of which led the administration to correct controls to monitor certain general ledger accounts, access rights and segregation of duties in certain systems. Those responsible for the implementation of the action plans have been working on mitigating the risks and on improving the effectiveness of the controls.

Avianca's Internal Control System aims to provide reasonable assurance on the achievement of its strategic, operational, financial reporting and regulatory compliance objectives, through the timely management of its risks and the assurance of the effectiveness of its controls, using as reference the practices recommended by the COSO (Committee of Sponsoring Organizations of the Treadway Commission) international frame of reference.

During periodic meetings held over the year, the Audit Committee reviewed the results of the Corporate Audits performed, the reports submitted by the External Auditor, the reports of the Ethics Hotline, the review of the level of maturity of the Information Security and Cybersecurity Management System and the progress made in the Company's risk management system, among others.

Regarding the financial information presented at different meetings of the Audit Committee, there were no reports of any critical situations related to non-compliance with applicable accounting standards and/or fraud that would affect the quality of the Company's financial and accounting information.

The Audit Committee was informed about the progress made in the External Auditor's work plan, which enabled it to remain on track and to make timely decisions.



5. General Shareholders' Meeting

5.1 Differences between the quorum provisions for Shareholders Meetings set forth in current regulations and those defined in the Social Pact.

The Company has consistently implemented the different Corporate Governance standards set out in the Social Pact and other rules for corporate bodies, pursuant to the guidelines of the Sarbanes Oxley Act of 2002 and the recommendations of the Código País Colombia survey.

5.2 Measures taken during the period to promote shareholder participation, shareholder information and communication with shareholders.

For the sixth consecutive year, the Company received the IR Recognition from the Colombian Securities Exchange. The Company has consistently maintained the practices adopted in connection with investor relations, as well as in the area of information disclosure.

Through this recognition, the Company certifies that it has an Investor Relations area with certified representatives to provide investors effective assistance in Colombia and abroad (in both Spanish and English). In this sense, it is important to highlight the Company's willingness to provide information that will enable the detailed analysis of its performance, as well as the timely delivery of the financial statements with consolidated quarterly figures and periodic invitations to analysts to discuss such statements.

At our Company, we emphasize that it is critically important for our investors that we optimize the Company's management in order to create value for all those involved. Due to the above, we constantly aim to adopt the highest standards to ensure the accuracy, transparency and timeliness of the information issued to the various stakeholders. This recognition has encouraged us to continue working with full commitment to the compliance of our established objectives.

5.3 Attendance to the General Shareholders' Meeting

Shareholders accounting for 99.9% of the Company's common shares attended the ordinary General Shareholders' Meeting held on March 27, 2020, either directly or through proxy.

5.4 Details of the main resolutions made

At the ordinary Shareholders' Meeting held in March 2020, the shareholders approved the following:

- The Management Report of the Board of Directors, the CEO and the other managers
- The financial statements prepared according to the IFRS
- The Annual Corporate Governance Report was also presented, along with the report issued by the External Auditor.
- Appointment of a new principal Board member - Jose Gurdian.





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**AVIANCA HOLDINGS S.A.
AND SUBSIDIARIES**
(Republic of Panama)
(Debtor in possession)

Consolidated Financial Statements

As of December 31, 2020, and 2019 and
for each of the years ended December 31, 2020, 2019 and 2018

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES
(Republic of Panama)

(Debtor in possession)

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AVIANCA HOLDINGS S.A. AND SUBSIDIARIES
 (Republic of Panama)
 (Debtor in Possession)
Consolidated Statement of Financial Position
 (In USD thousands)

	<u>Notes</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets			
Current assets:			
Cash and cash equivalents	8	\$ 911,139	\$ 342,472
Restricted cash	8	24,299	1
Short term investments	13	42,919	55,440
Trade and other receivables, net of expected credit losses	9	229,917	233,722
Accounts receivables from related parties	10	157	3,348
Current tax assets	32	111,785	198,719
Expendable spare parts and supplies, net of provision for obsolescence	11	81,433	88,334
Prepayments	12	36,247	69,012
Deposits and other assets	13	37,544	39,175
		<u>1,475,440</u>	<u>1,030,223</u>
Assets held for sale	16	884	681,053
Total current assets		<u>1,476,324</u>	<u>1,711,276</u>
Non-current assets:			
Deposits and other assets	13	55,547	54,074
Trade and other receivables, net of expected credit losses	9	2,918	22,569
Non-current taxes assets	32	—	1
Intangible assets and goodwill, net	15	488,925	505,507
Deferred tax assets	32	25,236	27,166
Property and equipment, net	4, 14	4,811,544	4,953,317
Total non-current assets		<u>5,384,170</u>	<u>5,562,634</u>
Total assets		<u>\$ 6,860,494</u>	<u>\$ 7,273,910</u>

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES
 (Republic of Panama)
 (Debtor in Possession)
Consolidated Statement of Financial Position
 (In USD thousands)

	Notes	December 31, 2020	December 31, 2019
Liabilities and equity			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	17,37	\$ 5,011,094	\$ 872,044
Accounts payable	18	489,031	530,615
Accounts payable to related parties	10	2,782	3,713
Accrued expenses	19	16,448	87,610
Current tax liabilities	32	54,738	26,421
Provisions for legal claims	33	23,314	20,244
Provisions for return conditions	20	22,277	21,963
Employee benefits	21	135,056	148,678
Air traffic liability	22	399,184	337,363
Frequent flyer deferred revenue	22	162,013	187,931
Other liabilities	23	4,144	5,110
		<u>6,320,081</u>	<u>2,241,692</u>
Liabilities associated with the assets held for sale	16	—	490,458
Total current liabilities		<u>6,320,081</u>	<u>2,732,150</u>
Non-current liabilities:			
Long-term debt	17	1,270,162	3,984,279
Accounts payable	18	17,225	11,931
Provisions for return conditions	20	138,562	122,425
Employee benefits	21	103,540	118,337
Deferred tax liabilities	32	13,922	18,471
Frequent flyer deferred revenue	22	290,802	229,701
Other liabilities	23	7,972	51,449
Total non-current liabilities		<u>1,842,185</u>	<u>4,536,593</u>
Total liabilities		<u>\$ 8,162,266</u>	<u>\$ 7,268,743</u>
Equity (Deficit)			
Common stock	24	82,600	82,600
Preferred stock		42,023	42,023
Additional paid-in capital on common stock		234,567	234,567
Additional paid-in capital on preferred stock		469,273	469,273
Retained (losses) earnings		(2,025,557)	(543,010)
Other comprehensive income / (loss)		(91,511)	(78,120)
Equity attributable to owners of the Company (Deficit)		<u>(1,288,605)</u>	<u>207,333</u>
Non-controlling interest	25	(13,167)	(202,166)
Total equity		<u>(1,301,772)</u>	<u>5,167</u>
Total liabilities and equity (Deficit)		<u>\$ 6,860,494</u>	<u>\$ 7,273,910</u>

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES
 (Republic of Panama)
 (Debtor in Possession)
Consolidated Statement of Comprehensive Income
(In USD thousands, except per share data)

	Notes	Total 2020	Total 2019	Total 2018
Operating revenue:				
		\$1,003,983		\$
Passenger			\$3,904,765	4,074,391
Cargo and other		707,602	716,731	816,439
Total operating revenue	5, 27	1,711,585	4,621,496	4,890,830
Operating expenses:				
Flight operations		42,167	75,713	153,615
Aircraft fuel		335,612	1,204,058	1,213,411
Ground operations		212,444	478,029	474,802
Rentals	34	3,398	11,762	267,708
Passenger services		41,816	176,454	188,713
Maintenance and repairs		121,481	257,642	206,454
Air traffic		90,202	278,987	269,631
Selling expenses		169,281	500,160	530,930
Salaries, wages and benefits		388,962	717,342	760,758
Fees and other expenses	38	367,446	411,573	203,304
Deconsolidation of subsidiary	1	26,221	—	—
Depreciation and amortization	14,15	532,994	593,396	350,507
Impairment	14,15	1,070	470,661	38,881
Total operating expenses		2,333,094	5,175,777	4,658,714
Operating (loss) profit		(621,509)	(554,281)	232,116
Interest expense		(378,318)	(299,942)	(212,294)
Interest income		4,406	9,041	10,115
Derivative instruments		(3,063)	(2,164)	(260)
Foreign exchange, net	29	(46,494)	(24,190)	(9,220)
Equity method profit	3.c	274	1,524	899
(Loss) profit before income tax		(1,044,704)	(870,012)	21,356
Income tax expense - current		(49,378)	(26,475)	(27,151)
(Expense) income tax income - deferred	32	(53)	2,492	6,938
Total income tax expense	32	(49,431)	(23,983)	(20,213)
Net (loss) profit for the year		\$(1,094,135)	\$(893,995)	\$ 1,143
Basic loss per share. (Expressed in dollars)	26			
Common stock		(1.09)	\$ (0.92)	\$ (0.03)
Preferred stock		(1.09)	\$ (0.92)	\$ (0.03)

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES
 (Republic of Panama)
 (Debtor in Possession)
Consolidated Statement of Comprehensive Income
(In USD thousands, except per share data)

	<u>Notes</u>	<u>Total 2020</u>	<u>Total 2019</u>	<u>Total 2018</u>
Net (loss) income for the year		\$(1,094,135)	\$ (893,995)	\$ 1,143
Other comprehensive income (loss):				
Items that will not be reclassified to profit or loss in future periods:	24			
Revaluation (devaluation) of administrative property		1,074	2,761	(20,448)
Remeasurements of defined benefit liability		(14,037)	(42,541)	(9,039)
Income tax		(818)	441	(39)
		<u>(13,781)</u>	<u>(39,339)</u>	<u>(29,526)</u>
Items that will be reclassified to profit or loss in future periods:	24			
Effective portion of changes in fair value of hedging instruments		474	3,932	(13,701)
Net change in fair value of financial assets with changes in OCI		503	1,205	(328)
		<u>977</u>	<u>5,137</u>	<u>(14,029)</u>
Other comprehensive loss, net of income tax		(12,804)	(34,202)	(43,555)
Total comprehensive (loss) profit net of income tax		\$(1,106,939)	\$ (928,197)	\$ (42,412)
(Loss) profit attributable to:				
Equity holders of the parent		(1,086,935)	(913,712)	(24,803)
Non-controlling interest		(7,200)	19,717	25,946
Net (loss) profit		\$(1,094,135)	\$ (893,995)	\$ 1,143
Total comprehensive (loss) income attributable to:				
Equity holders of the parent		\$(1,100,326)	\$ (947,736)	\$ (68,097)
Non-controlling interest		(6,613)	19,539	25,685
Total comprehensive (loss) income		\$(1,106,939)	\$ (928,197)	\$ (42,412)

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

(Debtor in Possession)

Consolidated Statement of Changes in Equity

(In USD thousands)

	Notes	Common Stock	Preferred Stock	Additional paid-in capital		Other comprehensive income		Retained (losses) earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
				Common Stock	Preferred Stock	OCI Reserves	Revaluation				
Balance adjusted at January 1, 2018		\$ 82,600	\$ 42,023	\$234,567	\$ 469,273	\$(59,184)	\$ 58,382	\$446,398	\$ 1,274,059	\$ (133,908)	\$ 1,140,151
Net profit (loss)		—	—	—	—	—	—	(24,803)	(24,803)	25,946	1,143
Other comprehensive income (loss)	24	—	—	—	—	(22,846)	(20,448)	—	(43,294)	(261)	(43,555)
Sale of subsidiaries	1	—	—	—	—	—	—	—	—	(7,674)	(7,674)
Dividends decreed	36	—	—	—	—	—	—	(35,508)	(35,508)	(62,096)	(97,604)
Balance at December 31, 2018		\$ 82,600	\$ 42,023	\$ 234,567	\$ 469,273	\$(82,030)	\$ 37,934	\$386,087	\$ 1,170,454	\$(177,993)	\$ 992,461
Net (loss) profit		—	—	—	—	—	—	(913,712)	(913,712)	19,717	(893,995)
Other comprehensive income (loss)	24	—	—	—	—	(36,785)	2,761	—	(34,024)	(178)	(34,202)
Sale of subsidiaries	1	—	—	—	—	—	—	—	—	(7,712)	(7,712)
Dividends decreed	36	—	—	—	—	—	—	(15,385)	(15,385)	(36,000)	(51,385)
Balance at December 31, 2019		\$ 82,600	\$ 42,023	\$ 234,567	\$ 469,273	\$(118,815)	\$40,695	\$(543,010)	\$ 207,333	\$ (202,166)	\$ 5,167
Net (loss) profit		—	—	—	—	—	—	(1,086,935)	(1,086,935)	(7,200)	(1,094,135)
Other comprehensive income (loss)	24	—	—	—	—	(14,465)	1,074	—	(13,391)	587	(12,804)
Non-controlling interest increase	25	—	—	—	—	—	—	(395,612)	(395,612)	195,612	(200,000)

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

(Debtor in Possession)

Consolidated Statement of Changes in Equity

(In USD thousands)

Balance at December 31,
2020

\$ 82,600	\$ 42,023	\$ 234,567	\$ 469,273	\$(133,280)	\$ 41,769	\$(2,025,557)	\$(1,288,605)	\$(13,167)	\$(1,301,772)
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See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES
 (Republic of Panama)
 (Debtor in Possession)
Consolidated Statement of Cash Flows
 (In USD thousands)

	Notes	For the year ended December 31,		
		2020	2019	2018
Cash flows from operating activities:				
Net (loss) profit for the year		\$ (1,094,135)	\$ (893,995)	\$ 1,143
Adjustments for:				
Provision net of expected credit losses	9	4,324	50,703	4,526
Provision for expandable spare parts and suppliers obsolescence	11	(32)	2,075	(3,203)
Provision (recovery) for return conditions, net	20	18,960	16,114	(27,092)
Provisions (recovery) for legal claims, net	33	7,555	14,671	(2,973)
Depreciation and amortization	14, 15	532,994	593,396	350,507
Impairment of property and equipment		1,070	470,661	38,881
Sale and leaseback transactions amortization	14	(43,844)	(5,399)	(4,747)
Loss (gains) on disposal of assets		88,483	21,562	(16,081)
Loss (gains) on sale or liquidation of subsidiary	1	26,221	5,487	(10,579)
Fair value adjustment of financial instruments		3,063	2,164	260
Interest income		(4,406)	(9,041)	(10,115)
Interest expense		378,318	299,942	212,294
Deferred tax	32	53	(2,492)	(6,938)
Current tax	32	49,378	26,475	27,151
Unrealized foreign currency loss (gain)		(10,071)	5,363	(32,569)
Changes in:				
Accounts receivable		14,621	(10,565)	(103,998)
Expendable spare parts and supplies		6,234	(3,150)	10,056
Prepayments		26,541	30,404	(115)
Net current tax		51,089	51,973	13,497
Deposits and other assets		(4,400)	43,655	95,247
Accounts payable and accrued expenses		(146,781)	(123,171)	249,901
Air traffic liability		62,556	(86,731)	(36,569)
Frequent flyer deferred revenue		35,015	(3,001)	37,719
Provision for return conditions		(15,248)	(1,886)	(5,814)
Employee benefits		(28,533)	(1,345)	(29,740)
Income tax paid		(17,221)	(45,534)	(47,547)
Net cash (used in) from operating activities		\$ (58,196)	\$ 448,335	\$ 703,102

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES
 (Republic of Panama)
 (Debtor in Possession)
Consolidated Statement of Cash Flows
 (In USD thousands)

	Notes	For the year ended December 31,		
		2020	2019	2018
Cash flows from investing activities:				
Restricted cash		(24,201)	4,558	378
Interest received		4,387	9,619	9,871
Advance payments on aircraft purchase contracts	14	—	(21,324)	(111,711)
Return of aircraft advances	14	50,004	30,312	—
Acquisition of property and equipment	14	(86,980)	(246,591)	(430,610)
Proceeds from sale of property and equipment		325,649	233,035	132,369
Redemption in certificates of bank deposits		12,339	11,866	4,640
Acquisition of intangible assets		(43,764)	(29,129)	(116,635)
Liquidation and sale of subsidiaries		(1,778)	(875)	18,000
Acquisition of investments		—	—	(78)
Net cash from (used in) investing activities		\$ 235,656	\$ (8,529)	\$ (493,776)
Cash flows from financing activities:				
Proceeds from loans and borrowings	17	944,580	616,555	303,640
Transaction costs related to debt	17	(42,516)	(18,807)	—
Repayments of loans and borrowings	17	(350,848)	(637,740)	(483,473)
Interest paid	17	(136,063)	(275,054)	(208,709)
Sale & leaseback transactions		—	—	53,990
Acquisition of non-controlling interest	25	(26,500)	—	—
Dividends paid	36	—	(14,057)	(35,508)
Dividends paid to minority shareholding	36	—	(36,000)	(56,096)
Net cash from (used in) financing activities		\$ 388,653	\$ (365,103)	\$ (426,156)
Net increase (decrease) in cash and cash equivalents		566,113	74,703	(216,830)
Effect of movements in exchange rates on cash held		2,554	(5,339)	(17,280)
Cash on deconsolidation of subsidiary		—	—	(1,764)
Cash and cash equivalents at beginning of year		342,472	273,108	508,982
Cash and cash equivalents at end of year		\$ 911,139	\$ 342,472	\$ 273,108

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

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Notes to Consolidated Financial Statements

(In USD thousands)

(1) Reporting entity

Avianca Holdings S.A. (the "Group" or "Avianca Holdings S.A."), a Panamanian corporation whose registered address is at Calle Aquilino de la Guardia No. 8 IGRA Building, Panama City, Republic of Panama, was incorporated on October 5, 2009 under the name SK Holdings Limited in and under the laws of the Commonwealth of the Bahamas. Subsequently, the Company changed its corporate name as follows on March 10, 2010 to AviancaTaca Limited, on January 28, 2011 to AviancaTaca Holding, S.A and on March 3, 2011 changed its registered offices to Panama. In 2011, AviancaTaca listed its shares in the Bolsa de Valores de Colombia ("BVC") and was listed as PFAVTA: CB. On March 21, 2013, the Company changed its legal name from AviancaTaca Holding S.A. to Avianca Holdings S.A. and its listing name to PFAVH: CB. On November 6, 2013, the Company listed its shares on the New York Stock Exchange (NYSE) and was list as AVH.

Synergy Aerospace Corp currently has the majority of the Group's shareholding through BRW Aviation LLC, which is the Group's direct controller. Since May 24, 2019, Kingsland Holdings Limited, through its ownership of ordinary shares of Avianca Holdings and authority to vote the ordinary shares of Avianca Holdings S.A. owned by BRW Aviation LLC, has effective control of Avianca.

Debtor in Possession

Avianca Holdings S.A. and certain of its subsidiary companies "the Debtors" filed, on May 10, 2020 and September 21, 2020 voluntary petitions under chapter 11 of the Bankruptcy Code (11 U.S.C. § 101, et. seq.) with the United States Bankruptcy Court for the Southern District of New York, which cases are being jointly administered under Case No. 20-11133 (MG). Certain actions, including enforcement of claims against the Debtors that were in existence before the filing of the petitions are stayed while the Debtors continue their business operations as debtor-in-possession.

The Company currently operates as Debtor in Possession under the jurisdiction of the bankruptcy court and the provisions of the bankruptcy code. In general, as Debtor in Possession, the Company is authorized to continue operating as a going concern but cannot engage in transactions outside the ordinary course of its operation without prior court approval. The bankruptcy court guarantees some relief, among others, obligations to (i) employees, (ii) tax authorities, (iii) insurance companies, (iv) independent contractors for improvement projects, (v) foreign suppliers, (vi) other airlines under certain agreements, and (vii) certain suppliers considered critical to the operation of the Company.

The following are the significant subsidiaries in the Group included within these consolidated financial statements:

Name of Subsidiary	Country of Incorporation	Ownership Interest%	
		2020	2019
Avianca Ecuador S.A.	Ecuador	99.62%	99.62%
Aerovias del Continente Americano S.A. (Avianca)	Colombia	99.98%	99.98%
Avianca, Inc.	U.S.	100%	100%
Avianca Leasing, LLC	U.S.	100%	100%
Grupo Taca Holdings Limited	Bahamas	100%	100%
Latin Airways Corp.	Panamá	100%	100%
LifeMiles Ltd.	Bermuda	89.90%	70%
Avianca Costa Rica S.A.	Costa Rica	92.42%	92.42%
Taca International Airlines, S.A.	El Salvador	96.83%	96.83%
Tampa Cargo Logistics, Inc.	U.S.	100%	100%

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

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Notes to Consolidated Financial Statements

(In USD thousands)

Name of Subsidiary	Country of Incorporation	Ownership Interest%	
		2020	2019
Tampa Cargo S.A.S.	Colombia	100%	100%
Technical and Training Services, S.A. de C.V.	El Salvador	99%	99%
Regional Express Américas S.A.S.	Colombia	100%	100%
Vu-Marsat S.A.	Costa Rica	100%	100%

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, Costa Rica and Nicaragua and international routes serving North, Central and South America, Europe, and the Caribbean. The Group has entered into a number of 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. Marketing alliances typically include joint frequent flyer program participation; coordination of reservations, ticketing, passenger check in and baggage handling; transfer of passenger and baggage at any point of connectivity, among others. The code-share agreements currently in place with other airlines include Air Canada, Aeromexico, United Airlines, Copa Airlines, Silver Airways, Iberia, Lufthansa, All Nippon Airways, Singapore Airlines, Eva Airways, Air China, Etihad Airways, Turkish Airlines, Air India, Azul Linhas Aéreas Brasileiras and GOL Linhas Aéreas Inteligentes, Avianca, Taca International (as well as Taca affiliates) and Avianca Ecuador are members of Star Alliance, which give customers access to destinations and services offered by Star Alliance network. Star Alliance members include several of the world's most recognized airlines, including Lufthansa, United Airlines, Thai Airways, Air Canada, TAP, Singapore Airlines, among others, as well as smaller regional airlines. All of them are committed to meeting the highest standards in terms of security and customer service.

Cargo operations are carried out by our subsidiaries and affiliates, including Tampa Cargo S.A.S. with headquarters in Colombia and Aerotransporte de Carga Union S.A. de C.V. The Group also undertakes cargo operations through the use of hold space on passenger flights and dedicated freight aircraft. In certain of the airport hubs, the Group performs ground operations for third-party airlines. Additionally, an important part of the cargo business is carried by the companies that operate passenger air transportation.

The Group owns and operates a coalition loyalty program called LifeMiles (the "Program"), which is also the frequent flyer Program for the airline subsidiaries of AVH. LifeMiles sells loyalty currency ("Miles") to its commercial partners and Program members, including to AVH airlines and other airline partners from the Star Alliance network, and collects incentive, fees from partners and members of the Program for certain transactions. These partners in turn use Miles to reward their customers, increasing loyalty for their brands. For instance, partner airlines reward passengers with Miles whenever they fly, financial partners reward cardholders with Miles when they spend with their credit cards, and retail partners reward customers with Miles when they purchase merchandise or other goods and services. Miles earned can be exchanged for flights with Avianca, airline members of Star Alliance and other air partners, as well as for other commercial partners' products and services such as hotel nights, car rentals and retail merchandise, among other rewards.

Subsidiary liquidation

Parallel to its filing of Chapter 11 in the US, the group began the liquidation of its operations in Peru in accordance with local laws. For the year ended December 31, 2020, the Group made the decision to liquidate the subsidiary detailed below:

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

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Notes to Consolidated Financial Statements

(In USD thousands)

Avianca Perú S.A.

On December 31, 2020, the Group defined it will carry out the definitive liquidation of the assets and liabilities of *Avianca Perú S.A.*, as a result of this transaction, the Group lost control and stopped consolidating the financial statements of *Avianca Perú S.A.* as of December 31, 2020.

The following is the summary of the movements in the financial statements due to the liquidation and the corresponding loss of control of *Avianca Perú S.A.*

	<i>Avianca Perú S.A.</i>
Cash amount in the company	\$ 1,778
Amount of company assets, without cash	36,768
Amount of liabilities in the company	(12,325)
Total net assets of the subsidiary	26,221
Loss on liquidation of subsidiary	\$ 26,221

The total amount of cash from losing control of the subsidiaries is reported in the statement of net cash flows of cash and cash equivalents disposed of as part of said transaction for a net value of \$ 1,778.

Sale of subsidiaries

For the years ended December 31, 2019 and 2018, the Group signed two sale agreements that are detailed below:

Turboprop Leasing Company and Aerotaxis La Costeña S.A.

On April 22, 2019, the Group through its subsidiaries Grupo Taca Holdings Limited ("GTH") and Nicaragüense de Aviación S.A. ("NICA") sold all GTH shares in Turboprop Leasing Company Ltd. ("Turbo"), and all NICA shares in Aerotaxis La Costeña S.A. ("La Costeña"), respectively, to Regional Airline Holding LLC (the "Buyer").

As a result of the transaction, the Group lost control and ceased to consolidate the financial statements of Turboprop Leasing Company Ltd. and Aerotaxis La Costeña S.A. on May 31, 2019.

The following is the summary of the movements in the financial statements due to the sale and the corresponding loss of control of Turbo Leasing Company Ltd. and Aerotaxis La Costeña S.A.

	Turboprop Leasing Company Ltd.	Aerotaxis La Costeña S.A.	Total Sale
Cash amount in the company	\$ 8,876	\$ 2,889	\$ 11,765
Amount of company assets, without cash	28,632	6,928	35,560
Amount of liabilities in the company	(19,507)	(3,729)	(23,236)
Total net assets of the subsidiary	18,001	6,088	24,089

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

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Notes to Consolidated Financial Statements**(In USD thousands)**

Noncontrolling interest	(5,769)	(1,943)	(7,712)
Participation of GTH / Nicaragüense de Aviación	\$ 12,232	\$ 4,145	\$ 16,377
Consideration received in cash	6,425	4,465	10,890
Loss / gain on sale of subsidiaries	\$ (5,807)	\$ 320	\$ (5,487)

The total amount of cash paid for losing control of the subsidiaries is reported in the statement of net cash flows of cash and cash equivalents disposed of as part of said transaction for a net payment of \$ 875.

Getcom Int'l Investments SL

On December 28, 2018, Avianca Holdings signed an agreement for the sale and transfer of its stake and control in Getcom Int'l Investments SL, a company incorporated in Spain, to Seger Investments, Corp, a company domiciled in Panama, which already owned a 50% stake in Getcom Int'l Investments SL. In accordance with the terms of said agreement, the Company and the Buyer also made the sale on this date.

As a result of the transaction, the Group lost control and stopped consolidating the financial statements of Getcom Int'l Investments S.L. on December 31, 2018.

The following is a summary of the movements in the financial statements due to the sale and the corresponding loss of control of Getcom Int'l Investments S.L.:

Cash amount at Getcom Int'l Investments S.L.	\$ 1,764
Amount of assets of Getcom Int'l Investments S.L., without cash	20,561
Amount of liabilities at Getcom Int'l Investments S.L.	(6,980)
Total net assets of the subsidiary	\$ 15,345
noncontrolling interest	(7,674)
AVH participation	7,671
Consideration Received:	
Part of the consideration consisting of cash	18,000
Part of the consideration consisting of accounts receivable	250
Fair value of the consideration received	\$ 18,250
Gain on sale of subsidiary	\$ 10,579

As of December 31, 2020, and 2019, Avianca Holdings S.A. had a total fleet consisting of:

Aircraft	December 31, 2020			December 31, 2019		
	Owned/ Financial Lease	Operating Lease (1)	Total	Owned/ Financial Lease	Operating Lease	Total
Airbus A-319	23	2	25	23	4	27
Airbus A-320	22	33	55	31	26	57

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Airbus A-320 NEO	3	7	10	3	7	10
Airbus A-321	5	6	11	7	6	13
Airbus A-321 NEO	—	2	2	—	2	2
Airbus A-330	1	6	7	3	7	10
Airbus A-330F	6	—	6	6	—	6
Airbus A-300F	3	—	3	5	—	5
Boeing 787-8	8	5	13	8	5	13
Boeing 787-9	—	1	1	—	1	1
ATR-72	11	—	11	15	—	15
Boeing 767F	2	—	2	2	—	2
Embraer E-190	—	—	—	10	—	10
	<u>84</u>	<u>62</u>	<u>146</u>	<u>113</u>	<u>58</u>	<u>171</u>

(1) Operating leases increase from 2019 to 2020, due to the acquisition of operating aircraft under lease (Sale and Lease Back).

(2) Basis of preparation of the consolidated financial statements*(a) Statement of compliance*

The consolidated financial statements for the years ended December 31, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the group for the year ended December 31, 2020 were prepared and submitted by Management and authorized for issuing by Audit Committee on March 20, 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for, land and buildings (classified as administrative property), assets held for sale, derivative financial instruments and plan assets, which have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in cash flow for changes in fair value that would otherwise be carried at amortized cost are adjusted to recognize changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

(c) Functional and presentation currency

These consolidated financial statements are presented in US Dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS 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. The evolution of COVID-19 and the chapter 11 proceedings generates uncertainty that could negatively affect our assumptions, for that reason the actual results may differ from these estimates.

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

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Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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, 2019. However, the current environment generates uncertainty and complexity in the estimates calculate.

The following are critical judgments used in applying accounting policies that may have the most significant effect on the amounts recognized in the consolidated financial statements:

- The Group operates certain aircraft under a financing structure which involves the creation of structured entities that acquire aircraft with bank and third-party financing. This relates to 75 aircraft from the A319, A320, A321, A330, A330F, ATR72, and B787 families.
- The Group has determined, based on the terms and conditions of the arrangements, that the Company controls these special purpose entities ("SPE") and therefore, SPEs are consolidated by the Group and these aircraft are shown in the consolidated statement of financial position as part of Property and Equipment with the corresponding debt shown as a liability.

The following assumptions and estimation uncertainties may have the most significant effect on the amounts recognized in the consolidated financial statements within the financial year:

- Our ability to continue as a going concern will be subject to the risks and uncertainties associated with the reorganization, and among other things, our ability to successfully develop and implement our Chapter 11 reorganization plan in the medium term, the which includes the negotiation of liabilities at a sustainable level.
- The Group recognizes revenue from tickets that are expected to expire without having been used based on historical data and experience, and the impact of COVID-19 in the future trend of use of tickets by passengers. To define the expected expiration, with the support of an independent third-party specialist, the administration must make estimates of the historical experience, which is an indication of the future behavior of the clients, analyzed by type of rate. As indicated by the accumulated data, the administration evaluates the historical data once a year or more frequently according to experience and makes the necessary adjustments.
- The Group believes that the tax positions taken are reasonable. However, tax authorities by audits proceedings may challenge the positions taken resulting in additional liabilities for taxes and interest that may become payable in future years. Tax positions involve careful judgment on the part of management and are reviewed and adjusted to account for changes in circumstances, such as lapse of applicable statutes of limitations, conclusions of tax audits, additional exposures derived from new legal issues or court decisions on a particular tax. The Group establishes provisions, based on their estimation on feasibility of a negative decision derived from an audit proceeding by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Actual results could differ from estimates.
- Deferred tax assets are recognized for all unused tax losses and taxable temporary differences to the extent that it is probable that taxable profit will be available against which the deferred tax can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized and the tax rates used, based upon the likely timing and the level of future

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taxable profits together with future tax planning strategies, and the enacted tax rates in the jurisdictions in which the entity operates.

- The Group measures administrative land and buildings primarily in Bogota, Medellin, San Jose, and San Salvador at revalued amounts with changes in fair value being recognized in other comprehensive income (See note 24). The Group engaged independent valuation specialists to assist management in determining the fair value of these assets as of December 31, 2020. The valuation techniques used by these specialists require estimates about market conditions at the time of the report.
- The Group estimates useful lives and residual values of property and equipment, including fleet assets based on network plans and recoverable value. Useful lives and residual values are revaluated annually considering the latest fleet plans and business plan information. Note 14 provides more information about the net book value of the property and equipment and their respective depreciation charges.
- The Group evaluates the carrying value of long-lived assets subject to amortization or depreciation whenever events or changes in circumstances indicate that an impairment may exist. For purposes of this testing, it is realized by transportation and loyalty cash generating units. An impairment charge is recognized when the asset's carrying value exceeds its net undiscounted future cash flows and its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value.

Goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired.

- The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For determining the discount rate of the pension plans in Colombia, the management takes as a reference the rate of the bonds issued by the Colombian Government.

The mortality rate is based on publicly available mortality tables in Colombia. Future salary increases and pension increases are based on expected future inflation rates in Colombia.

- The Group estimated the breakage of miles, supported by a third valuation specialist to assist management in this process. The Group considers the behavior of the members based on a segmentation into statistically homogeneous groups of members to be able to project future behaviors, and therefore is considered to be more robust in predicting redemption rates by segment and breakage estimates of the Program.
- The Group estimated a provision for expected credit losses based on informed and reasonable information about past events, present conditions and reasonable and justifiable forecasts regarding future economic conditions, considering credit risk, classification and late payment.
- The Group recognizes a provision in the balance sheet when a third-party account has a legal or implicit obligation as a result of a past event, and it is probable that an exit of liquidity benefits to the obligation is required. In relation to provisions for litigation, the main source of uncertainty is the time of the outcome of the process.

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- Aircraft lease contracts establish certain conditions in which aircraft shall be returned to the lessor at the end of the contracts. To comply with return conditions, the Group incurs costs such as the payment to the lessor of a rate in accordance with the use of components through the term of the lease contract, payment of maintenance deposits to the lessor, or overhaul costs of components. In certain contracts, if the asset is returned in a better maintenance condition than the condition at which the asset was originally delivered, the Group is entitled to receive compensation from the lessor. The Group accrues a provision to comply with return conditions at the time the asset does not meet the return condition criteria based on the conditions of each lease contract. The recognition of return conditions require management to make estimates of the costs with third parties of return conditions and use inputs such as hours or cycles flown of major components, estimated hours or cycles at redelivery of major components, projected overhaul costs and overhaul dates of major components. At redelivery of aircraft, any difference between the provision recorded and actual costs is recognized in the result of the period.

(e) *Avianca Holding Chapter 11 Filing, Insolvency of Avianca Peru and Going Concern*

Background

As a result of the adverse effects of COVID-19, which has resulted in a 90% decline in global passenger traffic and is expected to reduce industry revenues worldwide by \$314 billion, according to the International Air Transport Association. Avianca's scheduled passenger operations had been grounded since mid-March, reducing its consolidated revenue by over 63% and placing significant pressure on its cash reserves. In order to preserve and reorganize our businesses, Avianca Holdings S.A. and certain of its subsidiary companies filed, on May 10, 2020 and September 21, 2020, voluntary petitions under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York, which cases are being jointly administered under Case No. 20-11133 (MG). LifeMiles™, Avianca's loyalty program, is administered by a separate company and is not part of the Chapter 11 filing.

Chapter 11 procedures and advisors

The Chapter 11 process is a well-established legal process in the United States of America that is recognized by many other countries around the world. The process is a temporary one that, allows a company to reorganize and complete a financial and operational restructuring under the supervision of the U.S. federal court system, while continuing its operations under the oversight of its board of directors and management team. Many companies, including airlines, have used the Chapter 11 process to reorganize their financial obligations and emerge as stronger organizations. Avianca itself underwent a Chapter 11 process in 2003 that allowed it to position itself for expansion in Latin America.

Through the Chapter 11 reorganization process, Avianca intends to:

- Protect and preserve operations so Avianca can continue to operate and serve customers with safe and reliable air travel, under the strictest biosafety protocols, as COVID-19 travel restrictions are gradually lifted.
- Ensure connectivity and drive investment and tourism by continuing as Colombia's flagship airline, serving over 50% of the domestic market in Colombia and providing essential nonstop service across

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South America, North America and European markets as well as continuing cargo operations, playing a key role in the economic recovery of Colombia and the Company's other core markets following the COVID-19 pandemic.

- Preserve jobs in Colombia and other markets where the Company operates, with Avianca directly responsible for more than 14,500 jobs throughout Latin America, including more than 10,000 in Colombia, and working with more than 3,000 vendors.
- Restructure the Company's balance sheet and obligations to enable Avianca to navigate the effects of the COVID-19 pandemic as well as comprehensively address liabilities, leases, aircraft orders and other commitments.

As a consequence of our filing Chapter 11 petitions, our operations and our ability to develop and execute a business plan, as well as our continuation as a going concern, will be subject to the risks and uncertainties associated with bankruptcy.

These risks include our ability to:

- maintain adequate cash on hand throughout the Chapter 11 process,
- generate cash flow from operations, which depends largely on factors beyond our control relating to developments deriving from the spread of COVID-19,
- confirm and consummate a plan of reorganization with respect to our Chapter 11 proceedings,
- obtain sufficient financing to allow us to emerge from bankruptcy and execute our business plan post-emergence, as well as comply with the terms and conditions of that financing,
- maintain relationships with our creditors, suppliers, service providers, customers, directors, officers, and employees,
- maintain contracts that are critical to our operations on reasonably acceptable terms and conditions, and
- bear the high costs of bankruptcy proceedings and related fees.

Additionally, these risks include that:

- counterparties may seek and obtain court approval to terminate contracts and other agreements with us,
- third parties that are outside the jurisdiction of the bankruptcy court to enforce their claims against the Debtors, either during the Chapter 11 cases or after their conclusion,
- the bankruptcy court may shorten the exclusivity period for us to propose and confirm a Chapter 11 plan appoint a Chapter 11 trustee (iii) convert the Chapter 11 proceedings to Chapter 7 liquidation proceedings or (iv) dismiss the Chapter 11 cases, and
- the actions and decisions of our creditors and other third parties who have interests in our Chapter 11 proceedings may be inconsistent with our plans.

Any delays in our Chapter 11 proceedings increase the risks of our inability to reorganize our business and emerge from bankruptcy and may increase our costs associated with the reorganization process.

In connection with the Company's reorganization proceedings pursuant to Chapter 11, the United States Trustee for Region Two appointed the following seven unsecured creditors as members of the Company's Unsecured Creditors' Committee (hereinafter the "Committee"): (i) La Caja de Auxilios y de Prestaciones de la Asociación Colombiana de Aviadores Civiles (Pension fund for the Colombian Association of Civil Aviators or CAXDAC); (ii) The Boeing Company; (iii) Puma Energy; (iv) SMBC Aviation Capital, Ltd. (v) KGAL Investment

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Management GmbH & Co KG; (vi) Delaware Trust Company; and (vii) the Colombian Association of Civil Aviators (Asociación Colombiana de Aviadores Civiles or "ACDAC").

To best position Avianca to successfully complete the Chapter 11 process, the Company's Board of Directors has retained world-class advisors, including Seabury Securities LLC and FTI Consulting, which are serving as financial advisors to Avianca, as well as Milbank LLP, Smith, Gambrell & Russell, LLP, Gómez-Pinzón Abogados and Urdaneta, Vélez, Pearl & Abdallah Abogados, which are serving as legal counsel. The Company's Board of Directors has also been advised by Willis Towers Watson, an independent compensation consultant, regarding the Company's compensation programs.

Chapter 11 Process

Chapter 11 filing

Avianca Holdings S.A. and certain of its subsidiary companies filed, on May 10, 2020 and September 21, 2020, voluntary petitions under chapter 11 of the Bankruptcy Code (11 U.S.C. § 101, et. seq.) with the United States Bankruptcy Court for the Southern District of New York.

The prepetition liabilities of the 39 companies under chapter 11 as of May 10, 2020, and its update as of December 31, 2020 are the following:

	December 31, 2020
Debt	4,200,663
Accounts payable	227,843
Accrued expenses	22
Provisions for legal claims	18,107
Provisions for return conditions	160,839
Other liabilities	330
	4,607,804

The two companies included under Chapter 11 on September 21, 2020 do not present liabilities. See details of the obligations subject to commitment in each of the disclosure notes.

As a result of the filing of voluntary petitions on May 10, 2020, under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York, the ("NYSE") announced on May 11, 2020 that, as is standard practice, the NYSE suspended trading in the Company's American Deposit Shares (the "ADSs"), each of which represents eight preferred shares of the company. On May 27, 2020, the ("NYSE") submitted to the Securities and Exchange Commission the intention to withdraw ADSs from Avianca Holdings from listing and registering on the ("NYSE") at the opening of operations on June

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8, 2020, in accordance with the provisions of Rule 12d2-2 (b) because, in the opinion of the ("NYSE"), ADSs are considered not adequate to continue to be listed and traded on the ("NYSE"). On June 1, 2020, the Securities and Exchange Commission confirmed that the Company's ADSs were deregistered under Section 12 (b) of the Securities Exchange Act of 1934.

On May 22, 2020, the Colombian Stock Exchange ("BVC") notified the Company that: (i) the Company's preferred shares continue to be listed on the BVC, (ii) the Company's preferred shares remain ineligible for repo transactions and are inadmissible as collateral for margin calls on other types of transactions, and (iii) as of May 11, 2020, no futures or options contracts can be entered into with respect to Avianca's preferred shares.

Motions filed on May 10, 2020 have been progressively approved by the United States Bankruptcy Court for the Southern District of New York at hearings on May 12, 2020, June 11, 2020, and July 14, 2020 Collectively, the orders issued by the Court at the hearing will help ensure that Avianca continues normal business operations throughout the reorganization process.

Operational motions

The Court granted initial relief to make payments of \$ 300 million. The foregoing allowed Grupo Avianca Holdings S.A. protect employees and suppliers while continuing to serve customers. Avianca received authorization to:

- Pay certain employee wages, compensation and benefit obligations owed from before the filing date, as well as to continue paying wages and honoring employee benefit programs in the normal course of business during its Chapter 11 cases.
- Maintain its network of customer programs throughout this process. Customers can continue to arrange travel and fly with Avianca in the same way they always have. Additionally, Avianca customers will continue to accrue miles when they fly with Avianca, and can continue to redeem miles earned through LifeMiles™ to purchase tickets with Avianca during this process; and,
- Honor various obligations owed to certain of its travel agency partners, vendors and suppliers from before the filing date. The Company will also continue to pay vendors and suppliers, as well as travel agency partners, in the ordinary course for goods and services provided on or after May 10, 2020.
- Pay accrued and ongoing prepetition taxes and fees, as well as insurance and surety bond obligations, as they come due in the ordinary course of business.

Rejection of certain contracts

As debtor in the Chapter 11 cases, Avianca has the ability to reject burdensome executory contracts and unexpired leases. Upon commencement of the Chapter 11 cases, Avianca sought to reject the leases of 12 aircraft, which was approved at the hearing of June 11, 2020. The rejected aircraft correspond to 2 A330, 2 A319, 2 A320, 2 A321 and 4 ATR-72. (See note 14). As of December 31, 2020, and as a result of these rejections, the obligations with the lenders and lessors were extinguished and Avianca also lost control over the related assets, which led to the derecognition of the assets and liabilities associated with these aircraft.

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DIP Financing

On October 5, 2020, the U.S. Bankruptcy Court for the Southern District of New York approved Avianca Holdings S.A.'s debtor in possession (DIP) financing (the "DIP Order") in an aggregate principal amount of up to approximately \$1,992,191 – inclusive of outstanding debt that was refunded, refinanced and replaced (on a cashless basis), fees and discounts. The DIP financing consists of Tranche A loans and notes in an aggregate principal amount of up to \$1,269,500 (corresponding to \$881,000 of new money and the remaining \$388,500 of roll-ups in respect of the New Bonds) and Tranche B notes in an aggregate principal amount of up to \$722,918 (corresponding to \$335,920 of new money and the remaining \$388,500 of roll-ups in respect of the secured convertible loan agreement entered into with United Airlines Inc., Kingsland International Group S.A. and certain other investors and the convertible securities purchase agreement entered into with Citadel in December 2019 and January 2020). Further, Tranche A is composed by a sub-tranche A-2, consisting of a backstop commitment provided by certain lenders in an aggregate principal amount of \$240,000 to allow for the eventual participation of one or more governments in the DIP financing.

Each of Avianca Holdings S.A.'s subsidiaries that are currently under Chapter 11 guarantee, on a joint and several basis, all of Avianca Holdings S.A.'s obligations. On October 13, 2020, the DIP financing agreements became effective and the initial disbursements thereunder took place, disclosed in note 17 to the financial statements.

As set forth in the DIP Order and the applicable agreements, the DIP financing agreements are collateralized by all of the assets and properties (whether tangible, intangible, real, personal or mixed) of Avianca Holdings S.A. and the guarantors (including pledges on Avianca Holdings S.A.'s equity in LifeMiles and its material subsidiaries such as those that conduct cargo operations, pledges on certain of the obligors' intellectual property and control agreements in respect of certain of Avianca Holdings S.A.'s and its subsidiaries' bank accounts).

The Company expects that the DIP financing will provide the Company necessary funds to support its operations through the Chapter 11 process.

Claims processing

On November 16, 2020, the United States Bankruptcy Court for the Southern District of New York granted the motion for a Claims Date (Bar Date) establishing January 20, 2021 ("The general deadline") as the general deadline for each entity (including individuals, partnerships, joint venture agreement, trusts and government units) file proofs of claim against the Debtors. Government units had until February 5, 2021 (the "Deadline for Government Units"), to present evidence of claim.

Entities that have a claim against any of the Debtors arising from the rejection of successive performance contracts and leases in force, must present evidence of claim no later than (i) on the General Deadline Date, or (ii) the last of the date that is (a) thirty days after the date of entry of an order from the Bankruptcy Court authorizing the rejection of said contract or lease, or (b) the applicable rejection date (the "Deadline for Rejection Claims").

In accordance with the Bar Date Order, if any of the Debtors modifies or complements its Annexes, the affected claimant must present its evidence of claim or rectify its evidence of claim already presented with respect to such modification of its Claim Prior to the Request in the Annex, no later than (a) on the General Deadline Date, or (b) within thirty days following the date on which the affected claimant is notified about the modification of the Annex, whichever is later "Deadline for Annexes Modified").

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On May 10, 2020 (the "Petition Date"), Avianca Holdings SA (the "Company" or "Avianca") and certain of its subsidiaries and affiliates filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

No assurance can be given as to the value, if any, that may be ascribed to the Debtors' various pre-petition liabilities and other securities.

Under Section 365 and other relevant sections of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject executory contracts and unexpired leases, including, without limitation, agreements relating to aircraft and aircraft engines (collectively, Aircraft Property) and leases of real property, subject to the approval of the Bankruptcy Court and certain other conditions.

In general, rejection of an executory contract or unexpired lease is treated as a prepetition breach of such contract or lease and, subject to certain exceptions, relieves the Debtors from performing their future obligations under such contract or lease. The contract counterparty or lessor, for its part, can assert a prepetition general unsecured claim for damages caused by such deemed breach. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing defaults under such executory contract or unexpired lease.

As of December 31, 2020, the Debtors had rejected twelve Aircraft leases relating to four ATR 72, four Airbus A320, two Airbus A321 and two Airbus A330, which have been returned to the respective lessor. The Debtors expect that liabilities subject to compromise and resolution in the Chapter 11 Cases will arise in the future as a result of damage claims resulting from the Debtors' rejection of various executory contracts and unexpired leases. Due to the uncertain nature of many of the potential rejection claims, the magnitude of such claims is not reasonably estimable at this time. Such claims may be material. As of December 31, 2020, the Group have recorded in the financial statements the amounts for claims for which there was reasonable sufficient information to estimate the claim.

Subsequent events

In the first quarter of 2021, the Group received the third disbursement of the DIP loan, and also presented a motion to reject the leases of 2 aircraft corresponding to 2 A319.

Dissolution of Avianca Peru

Parallel to your Chapter 11 filing in the US, Avianca began winding up its operations in Peru in accordance with local law. This decision supports essential correct sizing efforts and will allow Avianca to renew its focus on core markets by exiting its court-supervised reorganization.

Currently, the liquidation proceeding is in process of liquidating liabilities and assets of such entity. Such process is under the supervision of Estrategia Consultores S.A.C, the designated independent liquidator. Although the agreement of the General Shareholders' Meeting has already been published, its registration in the Public Registry of Peru since July 08, 2020.

On May 27, 2020, the Bankruptcy Court of the Southern District of New York, in the best interest of Avianca, its creditors and other related parties, authorized the debtor companies to pay the labor obligations to the employees of Avianca Peru S.A., as well as any other cost associated with its liquidation up to a limit of \$7 million related to the 906 employees of the Company. As of December 31, 2020, payments related to labor settlements

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were recognized to the employees of Avianca Perú S.A. for \$8,773, the same that have been served with the Company's own resources without even having to resort to requesting funds from the Bankruptcy Court of the Southern District of New York.

Going Concern

The consolidated financial statements have been prepared on a going concern basis.

As a result of the adverse effects of COVID-19, the Group recognized a net loss after tax of \$1,098,410 as of December 31, 2020 (\$893,995 for the year ended December 31, 2019), that originated an equity deficit of \$1,306,047; and the consolidated statement of financial position reflected an excess of current liabilities over current assets as of December 31, 2020 of \$4,846,762 (\$1,020,874 as of December 31, 2019) and excluding air traffic liability and frequent flyer deferred revenue of \$4,285,565 as of December 31, 2020 (\$495,580 as of December 31, 2019).

The administration currently implements among others the following measures under its chapter 11 process:

- Cost savings and liquidity preservation measures, including temporary deferral of non-essential expenses and capital expenditures.
- Legal and financial advice for the development and implementation of the reorganization plan under chapter 11 laws and the appropriate decision-making under the current conditions, which includes rejection of contracts and flexibility of lease contracts to limit the consumption of cash in the restructuring period of the Group.
- Contract renegotiation with suppliers and lessors.
- Fleet simplification, in line with the protection granted under Chapter 11.
- Launching commercial strategies to re activate demand for Air services.

The gradual reactivation of the operation, together with the disbursements of the DIP financing received in the last quarter of 2020, have allowed the implementation of strategies that allow the successful emergence of the restructuring process, based on the above, the Group prepares financial information on a going concern basis; However, our ability to continue as a going concern will be subject to the risks and uncertainties associated with the reorganization, and among other things, our ability to successfully develop and implement our Chapter 11 reorganization plan in the medium term, the which includes the negotiation of liabilities at a sustainable level.

(3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all the Company's entities of the Group, except in mentioned otherwise (see also note 4).

(a) Basis of consolidation

Subsidiaries are entities controlled by Avianca Holdings S.A. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, in accordance with IFRS 10. Control is established after assessing the Group's ability to direct the relevant activities of the investee, its exposure and rights to variable returns, and its ability to use its power to affect the amount of the investee's returns. The accounting policies of subsidiaries have been aligned when necessary with the policies adopted by the Group.

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The consolidated financial statements also include 49 special purpose entities that relate primarily to the Group's aircraft leasing activities. These special purpose entities are created in order to facilitate financing of aircraft with each SPE holding a single aircraft or asset. In addition, the consolidated financial statements include 72 entities that are mainly investment vehicles, personnel employers and service providers within the consolidated entities. The Group has consolidated these entities in accordance with IFRS 10.

When the sale of a subsidiary occurs and no percentage of participation is retained on it, the Group derecognizes the assets and liabilities of the subsidiary, the non-controlling interests and the other components of equity related to the subsidiary on the date on which it was sold. Any gain or loss resulting from the loss of control is recognized in the consolidated statement of comprehensive income.

If the Group retains a percentage of participation in the subsidiary sold, and does not represent control, this is recognized at its fair value on the date when control is lost, the amounts previously recognized in other comprehensive income are accounted for as if the Group had directly disposed of the related assets and liabilities, which may cause these amounts to be reclassified to profit or loss. The retained percentage valued at its fair value is subsequently accounted for using the equity method.

(b) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency

Foreign currency transactions

These consolidated financial statements are presented in US dollars, which is the Group's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are recognized currently as an element of profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign operations

Assets and liabilities of foreign operations included in the consolidated statement of financial position are translated using the closing exchange rate on the date of the consolidated statement of financial position. The revenues and expenses of each income statement account are translated at quarterly average rates; and all the resultant exchange differences are shown as a separate component in other comprehensive income.

(d) Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 "Business Combinations". The consideration for an acquisition is measured at acquisition date fair value of consideration transferred including the amount of any non-controlling interests in the acquire. Acquisition costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it measures at fair value the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic

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circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred to the seller, including the amount recognized for non-controlling interest over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets acquired, the difference is recognized as profit at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the acquisition, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

(e) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes income when transferring control over the good or service to the customer. Below is information on the nature and timing of the satisfaction of performance obligations in contracts with customers.

(i) Passenger and cargo transportation

The Group recognizes revenues from passenger, cargo and other operating income in consolidated statements of comprehensive income. Revenues from passenger, which includes transportation, baggage fees, fares, and other associated ancillary income, is recognized when transportation is provided. Cargo revenues are recognized when the shipments are delivered. Other operating income is recognized as the related performance obligations are met.

The tickets and other revenues related to transportation that have not yet been provided are initially deferred and recorded as "Air traffic liability" in the consolidated statement of financial position, deferring the revenue recognition until the trip occurs. For trips that have more than one flight segment, the Group considers each segment as a separate performance obligation and recognizes the revenues of each segment as the trip takes place. Tickets sold by other airlines where the Group provides transportation are recognized as passenger income at the estimated value that will be billed to the other airline when the trip is provided.

Reimbursable tickets usually expire after one year from the date of issuance. Non-refundable tickets generally expire on the date of the intended trip, unless the date is extended by customer notification on or before the scheduled travel date. Rates for unused tickets that are expected to expire are recognized as revenue, based on historical data and experience, supported by a third valuation specialist to assist management in this process.

The Group periodically evaluates this liability and any significant adjustment is recorded in the consolidated statements of comprehensive income. These adjustments are mainly due to differences between actual events and circumstances such as historical sales rates and customer travel patterns that may result in refunds, changes or expiration of tickets that differ substantially from the estimates.

The Group evaluates its estimates and adjusts deferred revenue for unearned transportation and revenue for passenger transport when necessary.

The various taxes and fees calculated on the sale of tickets to customers are collected as an agent and sent to the tax authorities. The Group records a liability when taxes are collected and deregisters it when the government entity is paid.

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(ii) Loyalty program

The Group has a frequent flyer program "LifeMiles", that is managed by LifeMiles Ltd, a subsidiary of the Group which airlines buy lots of miles to be granted to member costumers of the program. The purpose of the program is designed to retain and increase travelers' loyalty by offering incentives to travelers for their continued patronage. Under the LifeMiles program, miles are earned by flying on the Group's airlines or its alliance partners and by using the services of program partners for such things as credit card use, hotel stays, car rentals, and other activities. Miles are also directly sold through different distribution channels. Miles earned can be exchanged for flights or other products or services from alliance partners.

The liabilities for the accumulated miles are recognized under "Frequent Flyer Deferred Revenue" (See note 22) until the miles are redeemed.

The Group recognizes the revenue for the redemption of miles at the time of the exchange of miles. They are calculated based on the number of miles redeemed in a given period multiplied by the cumulative weighted average yield (CWAY), which leads to the decrease of "Frequent Flyer Deferred Revenue".

Breakage estimates are reviewed every semester. If a change in the estimate is presented, the adjustments will be accounted for prospectively through the income, with an adjustment of "update" to the corresponding deferred income balances.

(f) *Income tax*

Income tax expense comprises current and deferred taxes and is accounted for in accordance with IAS 12 "Income Taxes". They are recognized in results except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity or in other comprehensive income recognized in the consolidated statement of changes in equity or consolidated statement of comprehensive income, respectively. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred income tax

Deferred tax is recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized to the extent that is probable that the temporary differences, the carry forward of unused tax credits and any unused tax losses can be utilized, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax laws enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(g) *Property and equipment*

(i) Recognition and measurement

Flight equipment, property and other equipment are measured at cost less accumulated depreciation and accumulated impairment losses in accordance with IAS 16 "Property, Plant and Equipment".

Property, operating equipment, and improvements that are being built or developed for future use by the Group are recorded at cost as under-construction assets. When under-construction assets are ready for use, the accumulated cost is reclassified to the respective property and equipment category.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gain and losses on disposal of an item of flight equipment, property and equipment are determined by comparing the proceeds from disposal with the carrying amount.

(ii) Subsequent costs

The costs incurred for major maintenance of an aircraft's fuselage and engines are capitalized and depreciated over the shorter period to the next scheduled maintenance or return of the asset. The depreciation rate is determined according to the asset's expected useful life based on projected cycles and flight hours. Routine maintenance expenses of aircraft and engines are charged to income as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of flight equipment, property and other equipment, since this method most closely reflects the expected pattern of consumption of the future economic benefits associated to the asset.

Rotable spare parts for flight equipment are depreciated on the straight-line method, using rates that allocate the cost of these assets over the estimated useful life of the related aircraft. Land is not depreciated.

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Estimated useful lives are as follows:

	<u>Estimated useful life (years)</u>
Flight equipment:	
Aircraft	10 – 30
Aircraft components and engines	Useful life of fleet associated with component or engines
Aircraft major overhaul repairs	4 – 12
Rotable parts	Useful life of fleet associated
Leasehold improvements	Lesser of remaining lease term and estimated useful life of the leasehold improvement
Administrative Property	20 – 50
Vehicles	2 – 10
Machinery and equipment	2 – 15

Residual values, amortization methods and useful lives of the assets are reviewed and adjusted, if appropriate, at each reporting date.

The carrying value of flight equipment, property and other equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and the carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The Group receives credits from manufacturers on acquisition of certain aircraft and engines that may be used for the payment of maintenance services, training, acquisition of spare parts and others. These credits are recorded as a reduction of the cost of acquisition of the related aircraft and engines and against other accounts receivable. These amounts are then charged to expense or recorded as an asset when the credits are used to purchase additional goods or services. These credits are recorded within other liabilities in the consolidated statement of financial position when awarded by manufacturers.

(iv) Revaluation and other reserves

Administrative property in Bogota, Medellín, El Salvador, and San Jose is recorded at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation reserve is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the other comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(h) *Assets held for sale*

Non-current assets and groups of assets for disposal that are classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Non-current assets and groups of assets for disposal are classified as held for sale if their carrying amount will be recovered mainly through a sale

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transaction, rather than through continued use. This condition is considered fulfilled only when the sale is highly probable and the asset or group of assets for disposal are available, in their current conditions, for immediate sale. The administration must be committed to the sale, and it must be expected that the sale complies with the necessary requirements for its recognition as such, within the year following the date of classification.

Property and equipment and intangible assets, once classified as held for sale, are not subject to depreciation or amortization and both the assets and any liabilities directly associated with the assets held for sale is reclassified to current and disclosed in a separate line of the consolidated financial statement, when the criteria for having an assets as held for sale are no longer met, the Company reclassifies property and equipment for the lower value between:

- 1) The carrying amount before the asset was classified as held for sale, adjusted for the depreciation that would have been recognized if it had not been classified as held for sale.
- 2) The recoverable amount on the date of the subsequent decision not to sell it.

(i) *Leased assets*

(i) *Assets by right of use*

The Group recognizes the assets for right of use on the start date of the lease (that is, the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any new measurement of lease liabilities. The cost of the assets with the right to use includes the amount of the recognized lease liabilities, the initial direct costs incurred, and the lease payments made on or before the start date, less the lease incentives received. The assets recognized by right of use are depreciated in a straight line during the shortest period of their estimated useful life and the term of the lease. The assets by right of use are subject to deterioration.

(ii) *Lease liabilities*

On the start date of the lease, the Group recognizes the lease liabilities measured at the present value of the lease payments that will be made during the term of the lease. Lease payments include fixed payments and variable lease payments that depend on an index or a rate.

Lease payments also include the price of a purchase option that the Group can reasonably exercise and penalty payments for terminating a lease.

Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

At the beginning of a contract, the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At the commencement or modification of a contract that contains a lease component, the Group assigns the consideration in the contract to each lease component on the basis of their relative independent prices. However, for property leases the Group has chosen not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

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(j) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets in accordance with IAS 23 "Borrowing Costs". Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(k) *Intangible assets*

Intangible assets acquired separately are initially measured at cost in accordance with IAS 38 "Intangible Assets". The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income within depreciation and amortization.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level, without exceeding a business segment. Impairment measurement is currently carried out at the level of the air transport segment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains and losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Goodwill is measured initially at cost, represented by the excess of the sum of the consideration transferred and the amount recognized for the non-controlling interest, with respect to the net of the identifiable assets acquired and the liabilities assumed. If this consideration is less than the fair value of the net assets acquired, the difference is recognized as a gain at the date of acquisition.

After initial recognition, Goodwill is measured at cost less any accumulated impairment loss. For the purpose of impairment tests, Goodwill acquired in a business combination is assigned, from the date of acquisition, to each company acquired and impairment measurement is carried out at the air segment level.

The Group's intangible assets include the following:

(i) Software and webpages

Acquired computer software licenses are capitalized on the basis of cost incurred to acquire, implement and bring the software into use. Costs associated with maintaining computer software programs are expensed as incurred. In case of development or improvement to systems that will generate probable future economic benefits, the Group capitalizes software development costs, including directly attributable expenditures on materials, labor, and other direct costs.

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Acquired software cost is amortized on a straight-line basis over its useful life.

Licenses and software rights acquired by the Group have finite useful lives and are amortized on a straight-line basis over the term of the contract. Amortization expense is recognized in the consolidated statement of comprehensive income.

(ii) Routes and trademarks

Routes and trademarks are carried at cost, less any accumulated amortization and impairment. The useful life of intangible assets associated with routes and trademark rights are based on management's assumptions of estimated future economic benefits. The intangible assets are amortized over their useful lives of between two and thirteen years. Certain routes and trademarks have indefinite useful lives and therefore are not amortized but tested for impairment at least at the end of each reporting period. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group expects to provide an indefinite service on the routes it has determined with an indefinite useful life and expects the support infrastructure to be maintained at those airports during the entire time that the routes exist. The analysis of demand and cash flows supports these assumptions because the facts and circumstances support the ability of the entity to continue providing air service indefinitely.

(iii) Intangible assets associated with contractual rights and obligations

The useful life of intangible assets associated with contract rights and obligations is based on the term of the contract and are carried at cost, less accumulated amortization and related impairment.

(iv) Other intangible rights

Contains projects related to technological developments to generate efficiencies in the operation. Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

(I) *Financial instruments - initial recognition, classification and subsequent measurement*

(i) Financial assets

Financial assets are classified in the initial recognition as follows:

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- Measured at amortized cost,
- At fair value through changes in other comprehensive income (OCI) and
- At fair value through profit or loss.

The classification of financial assets in the initial recognition depends on the characteristics of the contractual cash flow of the financial asset and the Group's business model for its administration. With the exception of commercial accounts receivable that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, (in the case of a financial asset that does not obtain profit or loss), transaction costs. Commercial accounts receivable that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at amortized cost or at fair value through OCI, it must give rise to cash flows that are "only capital and interest payments (SPPI)" over the outstanding principal amount. This evaluation is known as the SPPI test and is performed at the instrument level.

The Group's business model for the management of financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, the sale of financial assets or both. Purchases or sales of financial assets that require the delivery of assets within a time frame established by regulation or convention in the market (regular operations), are recognized on the trading date, that is, the date on which the Group Commit to buy or sell the asset.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with effect on accumulated gains and losses (debt instruments)
- Financial assets designated at fair value through OCI without effect on accumulated gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if the following conditions are met:

- The financial asset is maintained within a business model with the objective of maintaining financial assets in order to collect the contractual cash flows.
- The contractual terms of the financial asset give rise on specific dates to the cash flows that are only payments of the principal and interest on the principal amount pending payment.

Financial assets at amortized cost are subsequently measured using the effective interest method (EIM) and are subject to impairment. Profits and losses are recognized in results when the asset is written off, modified or impaired.

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The Group's financial assets at amortized cost include trade accounts receivable, accounts receivable with related parties, accounts receivable from employees and other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if the following conditions are met:

- The financial asset is maintained within a commercial model with the objective of maintaining both to collect contractual cash flows and sell.
- The contractual terms of the financial asset give rise on specific dates to the cash flows that are only payments of the principal and interest on the principal amount pending payment.

For debt instruments at fair value through OCI, interest income, exchange revaluation and impairment losses or reversals are recognized in the other comprehensive income and are calculated in the same manner as for financial assets measured at amortized cost. The remaining changes in fair value are recognized in OCI. After derecognition, the change in accumulated fair value recognized in OCI is recognized in profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

After initial recognition, the Group may elect to irrevocably classify its capital investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments. The classification is determined instrument by instrument.

Gains and losses on these financial assets are never recognized as gains or losses. Dividends are recognized as other income in the income statement when the right to payment has been established, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such earnings are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment evaluation.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Derivatives, including embedded implicit derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not only capital and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments can be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are recorded in the statement of financial position, at fair value with net changes, recognized in the statement of comprehensive income.

This category includes derivatives and listed equity investments that the Group had not irrevocably chosen to be classified at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of comprehensive income when the right to payment has been established.

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(ii) Impairment of financial assets

The Group recognizes a reserve for expected credit losses (ECL) for all debt instruments that are not held at fair value through profit or loss. The ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade accounts receivable and contractual assets, the Group applies a simplified approach when calculating ECL. Therefore, the Group does not track changes in credit risk, but recognizes a loss adjustment based on ECL for life at each reporting date. The Group has established a provision matrix that is based on its historical experience of credit losses, adjusted by specific prospective factors for debtors and the economic environment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized primarily when:

The rights to receive cash flows from the asset have expired

The Group has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the cash flows received in full without significant delay to a third party under a "transfer" agreement, and (a) the The Group has transferred substantially all the risks and benefits of the asset, or (b) the Group has not transferred or retained substantially all the risks and benefits of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it evaluates whether and to what extent it has retained the risks and benefits of ownership. When it has not transferred or retained substantially all the risks and benefits of the asset, nor transferred control of the asset, the Group continues to recognize the asset transferred to the extent of its continued participation. In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The continuous participation that takes the form of a guarantee on the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group may have to repay.

(iii) Financial liabilities

Financial liabilities are classified, on initial recognition, as financial liabilities at fair value through profit or loss, loans and debt, accounts payable, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value and, in the case of loans and debt and accounts payable, net of directly attributable transaction costs.

The Group's financial liabilities include trade accounts payable and other accounts payable, loans and debt, including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in the hedging relationships defined by IFRS 9. Separate embedded derivatives are also classified as held for trading unless they are designated as equity instruments. effective coverage.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

The financial liabilities designated in the initial recognition at fair value through profit or loss are designated at the initial recognition date, and only if the criteria of IFRS 9 are met. The Group has not designated any financial liability at fair value with changes in results.

Loans carried at amortized cost

This is the most relevant category for the Group. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest method (EIM). Profits and losses are recognized in results when liabilities are derecognized in accounts, as well as through the EIM amortization process.

The amortized cost is calculated taking into account any discount or premium on the acquisition and the fees or costs that are an integral part of the EIM. The amortization of the EIM is included as financial costs in the income statement.

This category generally applies to loans and debt that accrue interest.

Derecognition financial instruments

Financial liability is derecognized when the obligation under the liability is canceled or expires. When an existing financial liability is replaced by another of the same lender in substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as the derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

(iv) Compensation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is recorded in the consolidated statements of financial position, if and only if, you have the legal right to offset the amounts recognized and there is an intention to cancel them on a net basis, or, to realize the assets and cancel the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of the financial instruments that are traded in the active markets on each reporting date is based on the prices quoted on the market (on the prices of purchase and sale prices on the stock exchange), not including deductions for transaction costs.

In the case of financial instruments that are not traded in active markets, fair value is determined using valuation techniques. Such techniques may include recent purchase and sale transactions at arm's length prices, reference to the fair value of other basically identical financial instruments, an analysis of the discounted cash flow, or recourse to other valuation models.

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Note 31 includes an analysis of the fair values of financial instruments and more details on how they are valued.

(vi) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, interest rate contracts and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivatives are carried at fair value as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Future contracts from commodities that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly into the consolidated statement of comprehensive income, except for the effective portion of derivatives assigned as cash flow hedges, which is recognized in other comprehensive income.

Cash flow hedges

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the equity, while any ineffective portion of cash flow hedge related to operating and financing activities is recognized immediately in the consolidated statement of comprehensive income.

Amounts recognized as other comprehensive income are transferred to the consolidated statement of comprehensive income when the hedged transaction affects earnings, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Group uses forward currency contracts and cross currency swaps as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. Refer to note 28 for more details.

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Current versus non-current classification of derivatives instruments

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through other comprehensive income.

(m) Expendable spare parts and supplies

Expendable spare parts relating to flight equipment are measured at the lower of average cost and net realizable value. Net realizable value is the estimated base stock cost reduced by the allowance for obsolescence. The valuation method used by the Group is weighted average.

(n) Impairment of non-financial assets

We review flight equipment and other long-lived assets used in operations for impairment losses when events and circumstances indicate the assets may be impaired. Factors which could be indicators of impairment include, but are not limited to, (1) a decision to permanently remove flight equipment or other long lived assets from operations, (2) significant changes in the estimated useful life, (3) significant changes in projected cash flows, (4) permanent and significant declines in fleet fair values and (5) changes to the regulatory environment. For long-lived assets held for sale, we discontinue depreciation and record impairment losses when the carrying amount of these assets is greater than the fair value less the cost to sell.

For purposes of this testing, the Group has identified the transportation business units and the loyalty program as the lowest level of identifiable cash flows. An impairment charge is recognized when the asset's carrying value exceeds the greater value of its net undiscounted future cash flows or its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value.

Goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired. Goodwill and indefinite-lived assets are reviewed for impairment on an annual basis or on an interim basis whenever a triggering event occurs.

In 2020 due to the impact of COVID-19 and the Chapter 11 process it was necessary to perform an impairment test on non-financial assets and as a result no impairment record was required. See assumptions and book value in note 15.

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(o) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with original maturity of three months or less, which are subject to an insignificant risk of change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, if any.

(p) Maintenance deposits

Maintenance deposits correspond to deposits paid to lessors based on cycles, flight hours, or fixed monthly amounts, depending on the specific nature of each provision. Rates used for the calculation and monthly amounts are specified in each lease agreement. The maintenance deposits paid to aircraft lessors are recorded within "Deposits and other assets" when they are susceptible for recovery, to the extent that such amounts are expected to be used to fund future maintenance activities. Deposits that are not probable of being used to fund future maintenance activities are expensed as incurred.

The maintenance deposits refer to payments made by the Group to leasing companies to be used in future aircraft and engine maintenance work. Management performs regular reviews of the recovery of maintenance deposits and believes that the values reflected in the consolidated statement of financial position are recoverable. These deposits are used to pay for maintenance performed and might be reimbursed to the Group after the execution of a qualifying maintenance service or when the leases are completed, according to the contractual conditions. Certain lease agreements establish that the existing deposits, in excess of maintenance costs are not refundable. Such excess occurs when the amounts used in future maintenance services are lower than the amounts deposited. Any excess amounts expected to be retained by the lessor upon the lease contract termination date, which are not considered material, are recognized as additional aircraft lease expense. Payments related to maintenance that the Group does not expect to perform are recognized when paid as additional rental expense. Some of the aircraft lease agreements do not require maintenance deposits.

(q) Security deposits for aircraft and engines

The Group must pay security deposits for certain aircraft and engine lease agreements. Reimbursable aircraft deposits are stated at cost.

Deposits that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables. Such assets are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Deposits for guarantee and collateral are represented by amounts deposited with lessors, as required at the inception of the lease agreements. The deposits are typically denominated in U.S. Dollars, do not bear interest and are reimbursable to the Group upon termination of the agreements.

(r) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Provisions are set up for all legal claims related to lawsuits for which it is probable that an outflow of funds will be required to settle the legal claims obligation and a reasonable estimate can be made. The assessment

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of probability of loss includes assessing the available evidence, the hierarchy of laws, available case law, the most recent court decision and their relevance in the legal system, as well as the assessment of legal counsel.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial cost.

For certain operating leases, the Group is contractually obligated to return aircraft in a defined condition. The Group recognizes for restitution costs of the aircraft held under operating leases and accumulates them monthly during the term of the lease contract. Restitution costs are based on the net present value of the estimated average costs of returning the aircraft and are recognized in the consolidated statement of comprehensive income in "Maintenance and repairs". These costs are reviewed annually and adjusted accordingly.

(s) *Employee benefits*

The Group sponsors defined benefit pension plans, which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post-employment benefits to senior employees in Colombia. These benefits are unfunded. 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 in the period in which they occur in other comprehensive income.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on Colombian Government bonds), and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are held by CAXDAC, nor can they be paid directly to the Group. Fair value is based on market price information and in the case of quoted securities on the published bid price. The value of any defined benefit asset recognized is restricted and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Under IAS 19 (issued in June 2011 and amended in November 2013), the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. It takes into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability (asset) comprises:

- Interest income on plan assets.
- Interest cost on the defined benefit obligation; and
- Interest on the effect of the asset ceiling

Additionally, the Group offers the following employee benefits:

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the consolidated statement of comprehensive income when they are due.

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(ii) Termination benefits

Termination benefits are recognized as an expense at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

(t) *Prepaid expenses*

(i) Prepaid commissions

Commissions paid for tickets sold are recorded as prepaid expenses and expensed when the tickets are used.

(ii) Prepaid rent

Prepaid rent for aircraft corresponds to prepaid contractual amounts that will be applied to future lease payments over a term of less than one year.

(u) *Interest income and interest expense*

Interest income comprises interest income on funds invested (including available-for-sale financial assets), changes in the fair value of financial assets at fair value through the consolidated statement of comprehensive income and gains on interest rate hedging instruments that are recognized in the consolidated statement of comprehensive income. Interest income is recognized as accrued in the consolidated statement of comprehensive income, using the effective interest rate method.

Interest expense comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through the consolidated statement of comprehensive income, and losses on interest rate hedging instruments that are recognized in the consolidated statement of comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the consolidated statement of comprehensive income using the effective interest method.

(4) New and amended standards and interpretations

4.1 Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied for the first time some standards and modifications to the standards, which were effective for the periods beginning on January 1, 2020. The Group has not applied any standard, interpretation or modification that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of application.

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Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material do not have a significant impact on the Group's consolidated financial statements.

4.2 Standards issued but not yet effective

The Group has not applied the following new and revised IFRSs that are not yet effective:

IFRS 17 Insurance contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Modifications are effective for the period beginning January 1, 2021:

IFRS 9 - Financial Instruments, IFRS 7 - Financial Instruments: Disclosure, IAS 39 - Financial Instruments: Recognition and Measurement and Reform of the Reference Interest Rate Phase 2

The amendments are related to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 to accompany the modifications related to modifications and hedge accounting:

- Modification of financial assets and liabilities and lease liabilities. A practical file is introduced for the modifications by the reform, accounting for the updated effective interest rate.
- Hedging transactions (and related documentation) should be adjusted to reflect changes to the hedged item, the hedging instrument, and the hedged risk.
- Disclosures in order to allow users to understand the nature and scope of the risks arising from the IBOR reform to which the entity is exposed and how the entity manages these risks.

IFRS 4 is also amended to require insurers that apply the temporary exemption from IFRS 9 to apply the amendment in accounting for the modifications directly required by the IBOR reform.

The modifications are effective globally for annual periods beginning on or after January 1, 2021 and will be applied retrospectively. Early application is allowed. Restatement of previous periods is not required. However, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The following modifications are effective for the period beginning January 1, 2022:

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Classifications of Liabilities as Current or Non-Current (amendments to IAS 1)

- Modifies the requirement to classify a liability as current, by establishing that a liability is classified as current when “it does not have the right at the end of the reporting period to defer the settlement of the liability for at least the following twelve months. at the date of the reporting period”.
- Clarifies in the added paragraph 72A 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”.

Reference to the Conceptual Framework (amendments to IFRS 3)

- Modifications are made to the references to align them with the conceptual framework issued by the IASB in 2018 and incorporated into our legislation, in that sense the identifiable assets acquired and the liabilities assumed in a business combination, on the transaction date, will correspond to those that meet the definition of assets and liabilities described in the conceptual framework.
- Paragraphs 21A, 21B and 21C are incorporated regarding the exceptions to the recognition principle for liabilities and contingent liabilities within the scope of IAS 37 and IFRIC 21.
- Paragraph 23A is incorporated to define a contingent asset, and clarify that the acquirer in a business combination will not recognize a contingent asset on the acquisition date.

Property, Plant and Equipment: Products Obtained Before Intended Use (amendments to IAS 16)

- The modification deals with the costs directly attributable to the acquisition of the asset (which are part of the PPYE element) and refers to “the costs of checking that the asset works properly (that is, if the technical and physical performance of the asset it is such that it can be used in the production or supply of goods or services, to lease to third parties or for administrative purposes)”.
- Paragraph 20A states that the production of inventories, while the PPYE element is in the conditions foreseen by management, at the time of sale, will affect the results of the period, together with its corresponding cost.
- Any effect on its application will be made retroactively, but only to the elements of PPYE that are brought to the place and conditions necessary for them to operate in the manner foreseen by management from the beginning of the first period presented in the financial statements. in which the entity applies the modifications for the first time. The cumulative effect of the initial application of the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other component of equity as appropriate) at the beginning of the first period presented.

Onerous Contracts – Cost of Fulfillment of a Contract (amendments to IAS 37)

- It is clarified that the cost of fulfilling a contract includes the costs directly related to the contract (the costs of direct labor and materials, and the allocation of costs directly related to the contract).

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- The effect of applying the amendment will not restate the comparative information. Instead, the cumulative effect of the initial application of the amendments will be recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, on the date of initial application.

Annual Improvements to IFRS Standards 2018–2020

- Modification to IFRS 1. Subsidiary that adopts IFRS for the first time. Paragraph D13A of IFRS 1 is added, incorporating an exemption on subsidiaries that adopt the IFRS for the first time and take as balances in the opening statement of financial position the book amounts included in the financial statements of the parent (literal a of the paragraph D16 of IFRS 1) so that it can measure the accumulated exchange differences for conversion¹⁰ by the carrying amount of said item in the consolidated financial statements of the parent (also applies to associates and joint ventures).
- Amendment to IFRS 9. Fees in the “10% test” regarding the derecognition of financial liabilities. A text is added to paragraph B3.3.6 and B3.3.6A is added, it is special to clarify the recognition of the commissions paid (to the result if it is a cancellation of the liability, or as a lower value of the liability if it is not as a cancellation).
- Amendment to IAS 41. Taxes in fair value measurements. The phrase “nor tax flows” is eliminated from paragraph 22 of IAS 41, the reason for the above is because “before Annual Improvements to IFRS Standards 2018-2020, IAS 41 had required an entity to use the flows of cash before taxes when measuring fair value, but did not require the use of a discount rate before taxes to discount those cash flows¹²”. In this way, the requirements of IAS 41 are aligned with those of IFRS 13.
- Extension of the Temporary Exemption from the Application of IFRS 9 Paragraphs 20A, 20J and 20O of IFRS 4 are amended to allow the temporary exemption that allows, but does not require, the insurer to apply IAS 39.
- Financial Instruments: Recognition and Measurement instead of IFRS 9 for annual periods beginning before January 1, 2023 (because from that date there is a new international requirement contained in IFRS 17).

(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 coalition loyalty program, the frequent flyer program for the airline subsidiaries of Avianca Holdings S.A.

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 statement of comprehensive income and is measured consistently with the Group’s consolidated financial statements.

The Group’s operational information by reportable segment for the year ended December 31, 2020 are as follows:

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	For the year ended December 31, 2020			
	Air transportation	Loyalty (1)	Eliminations	Consolidated
Operating revenue: (2)				
External customers	\$ 1,566,546	\$ 145,039	\$ ----	\$ 1,711,585
Inter-segment	(102,770)	3,213	99,557	----
Total operating revenue	\$ 1,463,776	\$ 148,252	\$ 99,557	\$ 1,711,585
Operating expenses	1,582,249	117,432	99,349	1,799,030
Depreciation, amortization and impairment	532,150	11,931	(10,017)	534,064
Operating (loss) profit	(650,623)	18,889	10,225	(621,509)
Interest expense	(352,421)	(25,897)	----	(378,318)
Interest income	2,904	1,502	----	4,406
Derivative instruments	(3,064)	1	----	(3,063)
Foreign exchange	(46,312)	(182)	----	(46,494)
Equity method	274	----	----	274
Income tax expense	(49,387)	(44)	----	(49,431)
Net (loss) profit for the period	\$ (1,098,629)	\$ (5,731)	\$ 10,225	\$ (1,094,135)
Total Assets	\$ 6,757,269	\$ 226,391	\$ (123,166)	\$ 6,860,494
Total Liabilities	\$ 7,289,684	\$ 891,841	\$ (19,259)	\$ 8,162,266

The Group's operational information by reportable segment for the year ended December 31, 2019 are as follows:

	For the year ended December 31, 2019			
	Air transportation	Loyalty (1)	Eliminations	Consolidated
Operating revenue: (2)				
External customers	\$ 4,284,901	\$ 336,595	\$ ----	\$ 4,621,496
Inter-segment	149,595	1,856	(151,451)	----
Total operating revenue	\$ 4,434,496	\$ 338,451	\$ (151,451)	\$ 4,621,496
Operating expenses	4,067,372	196,116	(151,768)	4,111,720
Depreciation, amortization and impairment	1,061,766	11,991	(9,700)	1,064,057
Operating (loss) profit	(694,642)	130,344	10,017	(554,281)
Interest expense	(263,049)	(36,893)	----	(299,942)
Interest income	6,741	2,300	----	9,041
Derivative instruments	(1,892)	(272)	----	(2,164)
Foreign exchange	(24,117)	(73)	----	(24,190)
Equity method	1,524	----	----	1,524
Income tax expense	(24,042)	59	----	(23,983)
Net (loss) profit for the period	\$ (999,477)	\$ 95,465	\$ 10,017	\$ (893,995)
Total Assets	\$ 7,219,611	\$ 243,249	\$ (188,950)	\$ 7,273,910
Total Liabilities	\$ 6,522,422	\$ 880,483	\$ (134,162)	\$ 7,268,743

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The Group's operational information by segment reportable for the year ended December 31, 2018 are as follows:

	For the year ended December 31, 2018			
	Air transportation	Loyalty (1)	Eliminations	Consolidated
Operating revenue: (2)				
External customers	\$ 4,577,021	\$ 313,809	\$ ----	\$ 4,890,830
Inter-segment	148,882	1,867	(150,749)	----
Total revenue	4,725,903	315,676	(150,749)	4,890,830
Operating expenses	4,226,414	193,269	(150,357)	4,269,326
Depreciation, amortization and impairment	388,960	12,976	(12,548)	389,388
Operating profit	110,529	109,431	12,156	232,116
Interest expense	(182,230)	(30,064)	----	(212,294)
Interest income	8,062	2,053	----	10,115
Derivative instruments	567	(827)	----	(260)
Foreign exchange	(9,238)	18	----	(9,220)
Equity method	899	----	----	899
Income tax expense	(20,258)	----	----	(20,213)
Net segment profit (loss) for the period	\$ (91,669)	\$ 80,656	\$ 12,156	\$ 1,143
Total Assets	\$ 7,098,272	\$ 248,937	\$ (228,566)	\$ 7,118,643
Total Liabilities	\$ 5,426,718	\$ 862,834	\$ (163,370)	\$ 6,126,182

(1) Loyalty revenue for redeemed miles is found in the entry of passengers revenue.

(2) The results, assets and liabilities allocated to the loyalty segment reportable correspond to those attributable directly to the subsidiary LifeMiles Corp., and exclude assets, liabilities, income and expenses of the loyalty program recognized in the Avianca Holdings Subsidiaries.

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

The Group's revenues by geographic area for the years ended December 31, 2020, 2019 and 2018 are as follows:

	For the years ended December 31,		
	2020	2019	2018
United States of America	\$ 247,692	\$ 681,728	\$ 462,091
Central America and the Caribbean	403,814	289,543	248,896
Colombia	718,922	2,378,772	2,580,979
South America (excluding Colombia)	291,625	754,574	732,586
Other	49,532	516,879	866,278
Total operating revenue	\$1,711,585	\$ 4,621,496	\$ 4,890,830

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The Group allocates revenues by geographic area based on the point of origin of the flight. Non-current assets are composed primarily of aircraft and aeronautical equipment, which are used throughout different countries and are therefore not assignable to any particular geographic area. Within the geographic areas presented there are no individually significant countries.

(6) Seasonality

As a consequence of the COVID-19 pandemic, the governments of Colombia and other countries in which we operate, have temporarily suspended international and some national passenger operations, as a result of these measures, this generated a decrease in passenger income compared to previous periods.

Normally, the results of operations for any interim period are not necessarily indicative of those for the entire year because 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 in the third quarter (principally in July and August) and again during the fourth quarter (principally in December). However, fluctuations in high holiday now demand will be affected by the gradual recovery of passenger confidence in the wake of the pandemic.

In addition, January is typically a month in which heavy air passenger demand occurs. The lowest levels of passenger traffic are concentrated in February, March, and May. Given the proportion of fixed costs, the Company and its subsidiaries expect that quarterly operating results to continue to fluctuate from quarter to quarter.

(7) Financial risk management

The Group has exposure to different risks from its use of financial instruments, namely, liquidity risk, commodity risk, foreign currency risk, interest rate risk, credit risk and capital risk management.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established mechanisms for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Our primary sources of funds are cash provided by operations and cash provided by financing activities. Our primary uses of cash are for working capital, capital expenditures, operating leases and general corporate purposes. Historically, we have been able to fund our short-term capital needs with cash generated from our operations. Our long-term capital needs relate to aircraft purchases.

In March 2020, governments around the world, including those of the United States, Colombia and most Latin American countries, declared states of emergency due to the spread of COVID-19, and implemented measures

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to halt the spread of the virus including, enhanced screenings, quarantine requirements and severe travel restrictions.

These developments negatively impacted the demand for air travel and the company's ability to maintain its passenger operation thus severely affecting the company's ability to maintain adequate liquidity levels. In order to mitigate the described adverse effects, we temporarily reduced our domestic as well international capacity. In addition to reducing capacity, we implemented additional cost savings and liquidity preservation measures, including a suspension on hiring of new employees, implementation of voluntary unpaid leave of absence, which more than 14,000 employees took, and temporary deferral of labor contracts, non-essential expenses and capital expenditures, payments on long-term leases and payments of principal on certain financing obligations, as well as negotiations with key suppliers, strategic lenders and other creditors.

To protect and preserve the Group's operations Avianca Holdings S.A. and certain of its affiliated entities filed voluntary petitions for chapter 11 relief under title 11 of the United States Code on May 10, 2020.

On October 5, 2020, the Group received approval from the U.S. Bankruptcy court for the Southern District of New York to access its debtor-in possession (DIP) financing totaling just over US \$2.0 billion. The DIP financing – inclusive of rollups of existing debt and purchase loan consideration – consists of a US\$ 1.27 billion Tranche A senior loan and a US\$ 722 million Tranche B subordinated loan. The DIP financing includes US\$ 1.217 billion of new funds consisting of US\$ 881 million in Tranche A and US\$ 336 million in Tranche B.

As of December 31, 2020, a part of the bondholders joined the DIP financing as part of the debt restructuring and therefore a roll-up of US\$ 219,600 bonds was carried out.

We believe that the above sources, including our DIP financing and cash flow generated from operating activities, are sufficient for our current working capital requirements.

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments. The amounts under the "Years" columns represent the contractual undiscounted cash flows of each liability.

As of December 31, 2020

	Carrying amount	Contractual cash flows	Years				
			One	Two	Three	Four	Five and thereafter
Short-term borrowings	\$4,235,197	\$4,235,197	\$4,235,197	—	—	—	—
Long-term Debt	292,503	375,007	69,564	305,443	—	—	—
Bonds	352,011	352,011	352,011	—	—	—	—
Use rights - IFRS 16	1,401,545	1,646,587	485,985	326,674	263,657	234,064	336,207
Total debt	6,281,256	6,608,802	5,142,757	632,117	263,657	234,064	336,207
Accounts payable	506,256	506,256	489,031	17,225	—	—	—
Accrued Expenses	16,448	16,448	16,448	—	—	—	—
Contractual maturities	\$6,803,960	\$7,131,506	\$5,648,236	\$649,342	\$263,657	\$234,064	\$336,207

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As of December 31, 2019

	Carrying amount	Contractual cash flows	Years				
			One	Two	Three	Four	Five and thereafter
Short-term borrowings	\$ 118,137	\$ 123,734	\$ 123,734	\$ ----	\$ ----	\$ ----	\$ ----
Long-term Debt	3,008,412	3,640,008	554,021	540,615	853,756	612,874	1,078,742
Bonds	531,244	698,436	105,022	43,598	43,598	506,218	----
Use rights - IFRS 16	1,198,530	1,321,871	264,510	246,759	234,094	206,367	370,141
Debt - assets held for sale	490,458	490,458	490,458	----	----	----	----
Total debt	5,346,781	6,274,507	1,537,745	830,972	1,131,448	1,325,459	1,448,883
Accounts payable	542,546	542,546	530,615	11,931	----	----	----
Accrued Expenses	87,610	87,610	87,610	----	----	----	----
Contractual maturities	\$ 5,976,937	\$ 6,904,663	\$ 2,155,970	\$ 842,903	\$ 1,131,448	\$ 1,325,459	\$ 1,448,883

(b) Fuel price risk

The Group maintains a commodity-price-risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity-price volatility. The operations of the Group require a significant volume of jet fuel purchases. Price fluctuations of oil, which are directly related with price fluctuations of jet fuel, cause market values of jet fuel to differ from its cost and cause the actual purchase price of jet fuel to differ from the anticipated price.

All such transactions are carried out within the guidelines set by the Risk Management Committee.

The Group enters into derivative financial instruments using heating oil and jet fuel to reduce the exposure to jet fuel price risks. Such financial instruments are deemed to be highly effective hedge because changes in their fair value are closely correlated with variations in jet fuel prices. The Group determines fair value of the contracts based on the notional future curves as observed in the market; gain or loss of hedge instruments are recognized directly in net equity, through other comprehensive income (OCI), based on Hedge Accounting procedures.

Sensitivity analysis

A change in 1% in jet fuel prices would have increased/decreased profit or loss for the years ended December 31, 2020, and 2019, by \$3,255 and \$12,041. This calculation assumes that the change occurred at the reporting

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date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables remain constant and considers the effect of changes in jet fuel price and underlying hedging contracts. The analysis is performed on the same basis for 2019.

(c) *Foreign currency risk*

The foreign currency risk arises when the Group carries out transactions and maintains monetary assets and liabilities in currencies other than its functional currency.

The functional currency used by the Group to establish the prices of its services is the US dollar. The Group sells most of its services at prices equivalent to the US dollar and a large part of its expenses are denominated in US dollars or are indexed to that currency, particularly fuel costs, maintenance costs, aircraft leases, lease payments, aircraft, insurance and aircraft components and accessories. The remuneration expenses are denominated in local currencies.

The Group maintains its freight and passenger rates in US dollars. Although sales in domestic markets are made in local currencies, prices are indexed to the US dollar.

The loss in foreign currency is derived primarily from the depreciation of the Colombian Peso against the US Dollar. For the years ended December 31, 2020, 2019 and 2018, the Group recognized a net loss from currency exchanges of \$(46,508), \$(24,190) and \$(9,220) respectively.

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The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group based on its risk management policy was as follows:

	December 31, 2020							
	USD	Colombian Pesos	Euros	Mexican Pesos	Argentinean Pesos	Brazilian Reals	Others	Total
Cash and cash equivalents	\$ 855,733	\$ 33,968	\$ 14,299	\$21,985	\$1,883	\$ 1,478	\$6,092	\$935,438
Trade and other receivables, net of expected credit losses	70,018	41,985	43,709	44,878	1,263	10,646	18,038	230,537
Secured debt and bonds	(3,919,738)	(3,823)	(102,935)	—	—	—	—	(4,026,496)
Unsecured debt	(173,632)	(535)	—	—	—	—	—	(174,167)
Accrued expenses	(14,386)	(755)	(92)	—	—	(1,196)	(19)	(16,448)
Accounts payable	(337,854)	(96,252)	(15,893)	(19,354)	(2,261)	(4,804)	(29,838)	(506,256)
Net financial position exposure	\$ (3519,859)	\$ (25,412)	\$ (60,912)	\$ 47,509	\$ 885	\$ 6,124	\$ (5,727)	\$ (3,557,392)
Sensitivity analysis								
Change forecast in exchange rate		(3.78)%	(8.19)%	(4.63)%	(22.32)%	(18.44)%		
Effect on profit of the year		\$ 960.57	\$ 4,988	\$(2,200)	\$(197.53)	\$(1,129)		

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	December 31, 2019								
	USD	Colombian Pesos	Euros	Mexican Pesos	Brazilian Reals	Brazilian Reals	Others	Total	
Cash and cash equivalents	\$ 209,139	\$ 87,382	15,111	\$ 4,789	\$ 11,045	\$ –	\$ 15,007	\$ 342,473	
Trade and other receivables, net of expected credit losses	137,692	1,474	81,982	8,591	6,637	17,764	5,499	259,639	
Secured debt and bonds	(4,554,328)	(16,285)	(120,055)	–	–	–	–	(4,690,668)	
Unsecured debt	(160,801)	(4,854)	–	–	–	–	–	(165,655)	
Debt – Assets held for sale	(449,340)	–	(41,118)	–	–	–	–	(490,458)	
Accrued expenses	(63,385)	(19,560)	(2,726)	(408)	–	(1,531)	–	(87,610)	
Accounts payable	(363,129)	(51,313)	(38,716)	(19,258)	–	(17,437)	(52,693)	(542,546)	
Net financial position exposure	\$ (5,244,152)	\$ (3,156)	\$(105,522)	\$ (6,286)	\$ 17,682	\$ (1,204)	\$(32,187)	\$(5,374,825)	
Sensitivity analysis									
Change forecast in exchange rate		(6.4)%	(0.045)%	(4.4)%	9.1%	2.6%			
Effect on profit of the year		\$ 201	\$ (48)	\$ 279	\$ 1,617	\$ (32)			

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Notes to Consolidated Financial Statements**(In USD thousands)***Sensitivity analysis*

The calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables remain constant and considers the effect of changes in the exchange rate, which is the rate that could materially affect the Group's consolidated statement of comprehensive income.

(d) Interest rate risk

The Group incurs interest rate risk mainly on financial obligations with banks and aircraft lessors. These lease payments long-term lease payments at interest floating rates expose the Group to the cash flow risk. Interest rate risk is managed through a mix of fixed and floating rates on loans and lease agreements, combined with interest rate swaps.

The Group assesses interest rate risk by monitoring and identifying changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Group maintains risk management control systems to monitor interest rate risk attributable to both the Group's outstanding or forecasted debt obligations.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments is:

Carrying amount – asset/(liability)	December 31, 2020	December 31, 2019
Fixed rate instruments		
Financial assets	\$ 678,720	\$ 272,013
Financial liabilities	(2,675,990)	(4,421,351)
Interest rate swaps	—	471
Total	\$ (1,997,270)	\$ (4,148,867)
Floating rate instruments		
Financial assets	\$40,050	\$ 5,685
Financial liabilities	(1,759,951)	(925,430)
Total	\$ (1,719,901)	\$ (919,745)

(e) Credit risk

Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term of the transaction or on settlement of the transaction. Credit exposure is measured as the cost to replace existing transactions should a counterparty default.

There are no significant concentrations of credit risk at the consolidated statement of financial position date. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The Group conducts transactions with the following major types of counterparties:

- Trade receivables, net of expected credit losses: The Group is not exposed to significant concentrations of credit risk since most accounts receivable arise from sales of airline tickets to individuals through travel agencies in various countries, including virtual agencies and other airlines. These receivables are short term in nature and are generally settled shortly after the sales are made through major credit card companies.

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Cargo-related receivables present a higher credit risk than passenger, sales given the nature of processing payment for these sales. The Group is continuing its implementation of measures to reduce this credit risk for example, by reducing the payment terms and affiliating cargo agencies to the IATA, Cargo Account Settlement Systems ("CASS"). CASS is designed to simplify the billing and settling of accounts between airlines and freight forwarders. It operates through an advanced global web-enabled e-billing solution.

- Cash, cash equivalents and deposits with banks and financial institutions: In order to reduce counterparty risk and to ensure that the risk assumed is known and managed by the Company, investments are diversified among different banking institution (both local and international). The Group evaluates the credit standing of each counterparty and the levels of investment, based on (i) their credit rating, (ii) the equity size of the counterparty, and (iii) investment limits according to the Group level of liquidity. According to these three parameters, the Group chooses the most restrictive parameter of the previous three and based on this, establishes limits for operations with each counterparty.
- Foreign exchange transactions: The Group minimizes counterparty credit risk in derivative instruments by entering into transactions with counterparties with which the Group has signed "International Swaps and Derivatives Association Master Agreements". Given their high credit ratings, management does not expect any counterparty to fail to meet its contractual obligations.

(f) Capital risk management

The Group's capital management policy is to maintain a sound capital base in order to safeguard the Group's ability to continue as a going concern, and in doing so, face its current and long-term obligations, provide returns for its shareholders, and maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the debt-to-capital ratio.

Following is a summary of the debt-to/capital ratio of the Group:

	Notes	December 31, 2020	December 31, 2019
Debt	17	\$6,281,256	\$ 5,346,781
Less: cash and cash equivalents and restricted cash	8	(935,438)	(342,473)
Total net debt		5,345,818	5,004,308
Total equity (deficit)		(1,301,772)	5,167
Total Capital		\$4,044,046	\$ 5,009,475
Net debt-to-capital ratio		132%	100%

(g) Fair value financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position as of December 31, 2020 are as follows:

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	Notes	December 31, 2020	
		Carrying amount	Fair value
Financial assets			
Investments	13	\$42,919	\$42,919
Plan assets	21	216,548	216,548
		<u>\$259,467</u>	<u>\$259,467</u>
Financial liabilities			
Short term borrowings and long-term debt	17	\$4,527,700	\$6,275,788
Derivative instruments	28,29	2,697	2,697
		<u>\$4,530,397</u>	<u>\$6,278,485</u>

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position as of December 31, 2019 are as follows:

	Notes	December 31, 2019	
		Carrying amount	Fair value
Financial assets			
Investments	13	\$ 55,440	\$ 55,440
Derivative instruments	28	536	536
Plan assets	21	204,527	204,527
		<u>\$ 260,503</u>	<u>\$ 260,503</u>
Financial liabilities			
Short term borrowings and long-term debt	17	\$ 6,281,256	\$ 5,454,688
Derivative instruments	28,29	1,289	1,289
		<u>\$ 6,282,545</u>	<u>\$ 5,455,977</u>

The fair value of the financial assets and liabilities corresponds the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management assessed that cash and cash equivalents, account receivable, account payable and other current liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

(8) Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash as of December 31, 2020, and 2019 are as follows:

	December 31, 2020	December 31, 2019
Cash on hand and bank deposits	\$ 881,617	\$ 339,010
Demand and term deposits (1)	29,522	3,462

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Cash and cash equivalents	911,139	342,472
Restricted cash (2)	24,299	1
Cash, cash equivalents and restricted cash	\$ 935,438	\$ 342,473

- (1) As of December 31, 2020, and December 31, 2019, within the cash equivalents, there are demand and term deposits that amounted to \$ 29,522 and \$ 3,462, respectively. The use of term deposits depends on the cash requirements of the Group. As of December 31, 2020, term deposits accrue annual interest rates between 0.62% and 3.91% in Colombian pesos and between 3.54% and 5.38% in dollars. As of December 31, 2019, term deposits accrue annual interest rates between 3.61% and 5.21% in Colombian pesos and between 1.94% and 6.02% in dollars.
- (2) As of December 31, 2020, the total restricted cash will hedge events or claims against the Group. These resources have not risk of change in value on the time and are not available for general use within the Group.

(9) Trade and other receivables

Trade and other receivables as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Trade (1)	\$ 130,009	\$ 222,694
Employee advances	3,835	3,267
Other (2)	145,315	72,331
	\$ 279,159	\$ 298,292
Less provision for expected credit losses	(46,324)	(42,001)
Total	\$ 232,835	\$ 256,291
Net current	\$ 229,917	\$ 233,722
Net non-current	2,918	22,569
Total	\$ 232,835	\$ 256,291

Trade receivables are non-interest bearing.

- (1) As of December 31, 2020, trade accounts receivable are mainly comprised of: \$ 69,000 pertaining to pending deposits, \$ 102,000 corresponding to debtors and \$ 58,000 to other types of debtors. Its decrease is mainly due to the suspension of the operation.
- (2) As of December 2020, corresponds mainly to accounts receivables to Chelsea Securities, S.A for \$34,980, USAV Flow for \$59,295, miles trust contract for \$15,405, Rolls Royce for \$11,423, Luis Montes de Oca for \$2,770, Airbus for \$1,397. As of December 2019, corresponds mainly to amounts charged to Chelsea Securities S.A. for \$34,980.

Changes during the year in the provision for expected credit losses for as follows:

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	December 31, 2020	December 31, 2019
Balance at beginning of year	\$ 42,001	\$ 12,430
Provision bad debt expense (1)	12,069	50,703
Reversal against the allowance	(7,746)	(21,132)
Total	\$ 46,324	\$ 42,001

(1) As December 31, 2020, includes impairment of the account receivable assigned by Grupo Aeromar SA of CV to Chelsea Securities, S.A., this account receivable isn't unsecured, originated in a potential investment of the Group in the Mexican market, a decision to the invest wasn't approved (\$34,980).

The aging of trade receivables at the end of the reporting period is as follows:

	December 31, 2020	December 31, 2019
Neither past due nor impaired	\$ 76,894	\$ 129,732
Past due 1-30 days	535	24,259
Past due 31-90 days	13,168	16,896
Past due 91 days	39,412	51,807
Total trade	\$ 130,009	\$ 222,694
Less provision for expected credit losses	(11,344)	(7,021)
Trade receivables, net of expected credit losses	\$ 118,665	\$ 215,673

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(10) Balances and transactions with related parties

The following is a summary of transactions and balances of related parties for the periods ended December 31, 2020 and 2019:

Company	Country	December 31, 2020				December 31, 2019			
		Receivables	Payables	Revenues	Expenses	Receivables	Payables	Revenues	Expenses
OceanAir Linhas Aéreas S.A.	Brasil	—	1,994	124	2,653	2,906	2,178	6,988	26,712
Opera Transporte y logística Integral S.A.S.	Colombia	—	443	—	3,329	—	448	6	4,390
Empresariales S.A.S.	Colombia	—	279	—	1,111	—	475	—	2,755
Global Operadora Hotelera S.A.S	Colombia	3	4	2	90	4	368	6	2,532
Corp Hotelera Internac.. S.A.	El Salvador	—	62	—	—	—	131	—	731
Servicios Aéreos Nacionales S.A.	Costa Rica	—	—	—	—	180	104	213	—
Turbo Leasing Corp.	Bahamas	—	—	—	—	196	—	196	—
Other		154	—	—	19	62	9	3	58
Subtotal		<u>\$ 157</u>	<u>\$ 2,782</u>	<u>\$ 126</u>	<u>\$ 7,202</u>	<u>\$ 3,348</u>	<u>\$ 3,713</u>	<u>\$ 7,412</u>	<u>\$ 37,178</u>
		<u>Receivables</u>	<u>Payables</u>			<u>Receivables</u>	<u>Payables</u>		
Short-term		\$ 157	\$ 2,782			\$ 3,348	\$ 3,713		

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On December 31, 2020, the Avianca Holdings S.A. Group settled the liabilities and assets of Avianca Perú S.A., as a result of this transaction, the Group lost control and stopped consolidating the financial statements of Avianca Perú S.A. as of December 31, 2020.

During the period, a provision for uncollectible accounts has been recognized, in with OceanAir Linhas Aéreas for \$ 10,153 USD, (\$ 7,627 USD in 2019), which corresponds mainly to aircraft rentals and interline loads.

The following is a description of the nature of the services provided by and for related parties. These transactions include:

Related party	Nature of Services
Hotelería Internacional S.A. Global Operadora Hotelera S.A.S Corporación Hotelera Internacional, S.A.	Accommodation services for crews and employees of the Companies.
Empresariales S.A.S.	Transportation services for employees of Avianca, S.A.
OceanAir Linhas Aéreas, S.A. – in judicial reorganization	On July 14, 2020, OceanAir was declared bankrupt. All contracts to date are not in force given the current situation of OceanAir and are not be executed, therefore, Avianca sent OceanAir a notification of termination of the contracts, so there are no more commercial relationships between the companies.
Opera Transporte y logística Integral SAS, before Transportadora del Meta S.A.S.	It provides Avianca, S.A. ground transportation services for cargo / courier shipments

Key management personnel compensation expense

During the year ended December 31, 2020 and 2019 the short-term employee benefits for key management personnel are \$24,393 and \$22,402. The Group does not have any long-term benefits including post-employment benefits, defined contribution plan, termination benefits or other long-term benefits for the key management personnel.

Following the detail for short-term compensation:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Salaries	\$ 9,249	\$ 12,467
Bonuses	9,731	6,658
Social benefits	4,638	2,149
Compensation	18	222

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Others	757	906
Total	\$ 24,393	\$ 22,402

(11) Expendable spare parts and supplies, net of provision for obsolescence

Expendable spare parts and supplies as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Expendable spare parts	\$ 73,502	\$ 79,427
Supplies	7,931	8,907
Total	\$ 81,433	\$ 88,334

For the years ended December 31, 2020 and 2019 expendable spare parts and supplies in the amount of \$35,638 and \$63,229, respectively, were recognized as maintenance expense.

Changes during the year in the provision for expendable spare parts and suppliers obsolescence as follows:

	December 31, 2020	December 31, 2019
Balance at beginning of year	\$ 5,330	\$ 6,505
Expense (reversal) for obsolete inventory	(32)	2,075
Write-offs against the allowance	(820)	(3,250)
Balance at end of year	\$ 4,478	\$ 5,330

(12) Prepayments

As of December 31, 2020, and 2019 prepaid balances are as follows:

	December 31, 2020	December 31, 2019
Prepaid commissions (1)	\$ 19,408	\$ 41,727
Prepaid compensations clients	1,870	13,768
Premiums for insurance policies	10,241	4,716
Other	4,728	8,801
Total	\$ 36,247	\$ 69,012

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- (1) Advance payment made to IATA for service charges of airlines. This is mainly the case with Airlines that belong to Star Alliance for the accumulation of miles, use of VIP lounges and reservation systems, Travelport Global Distribution System B.V., Services of Bolivian Airports, S.A.

(13) Short term investments, deposits and other assets

Short term investments, deposits and other assets as of December 31, 2020 and 2019 are as follows:

	<u>Notes</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Short term investments (1)		\$ 42,919	\$ 55,440
Total		\$ 42,919	\$ 55,440
Deposits and other assets - short term:			
Deposits with lessors (2)		\$ 19,944	\$ 11,963
Guarantee deposits (3)		6,509	8,657
Others (4)		11,091	18,030
Subtotal		37,544	38,650
Fair value of derivative instruments	31	-	525
Total		\$ 37,544	\$ 39,175
Deposits and other assets - long term:			
Deposits with lessors (2)		\$ 41,098	\$ 35,374
Long term investments		1,339	-
Guarantee deposits (3)		12,262	10,032
Others (4)		848	8,657
Subtotal		55,547	54,063
Fair value of derivative instruments	31	-	11
Total		\$ 55,547	\$ 54,074

- (1) The short-term classification corresponds to funds invested for terms of less than one year; Excess cash in treasury is invested in accordance with the Group's Investment Policy. Otherwise, they are classified as long term.

- (2) Corresponds mainly to maintenance deposits in connection with leased aircraft. These deposits are applied to future maintenance event costs and are calculated on the basis of a performance measure, such as flight hours or cycles. They are specifically intended to guarantee maintenance events on leased aircraft.

Maintenance deposits paid do not transfer the obligation to maintain aircraft or the costs associated with maintenance activities.

- (3) Corresponds mainly to amounts paid to suppliers in connections with leasehold of airport facilities, among other service agreements.

- (4) Corresponds mainly to other security deposits, national tax refund titles and deferred charges and deferred charge.

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(14) Property and equipment, net

The main additions correspond to:

- **Flight equipment:** The main additions during the year ended December 31, 2020, correspond to sale and lease back transactions of nine Airbus A320 aircraft for \$197,707 (recognized as rights of use) with Avolon Aerospace Leasing Limited and \$7,581 for additions of connectivity and densification projects. During the year ended December 31, 2019, the Group acquired three Airbus A320N aircraft for \$33,500, \$31,111, and \$30,242 one Boeing 787-9 aircraft for \$77,673 recognized as rights of use and one Airbus A300F aircraft, for \$14,495.

During 2020, aircraft are reclassified from assets held for sale to property and equipment, correspond to of the aircraft 2 A319, 3 A320, 2 A330, 1 A330F and 4 A321 for a total amount of \$ 352,867. As the "highly probable sale" condition was not fulfilled, derived from the current situation of the airline industry caused by COVID-19. The carrying amount that was recognized as property and equipment correspond to recoverable amount.

The main disposals as of December 31, 2020, correspond to the following rejected aircraft leases, 2 A319, 2 A320, 2 A321, 2 A330, y 4 ATR-72 for a total amount of \$221,866 due to the chapter 11 plan of reorganization. This motion was approved by the court on June 11, 2020, additionally \$ 18,940 reflected in Disposals due to the replacement.

- **Capitalized maintenance:** Additions reported for the year ended December 31, 2020 and 2019 correspond to major fuselage, train and APU repairs for \$ 30,694 and \$ 16,658 also to major engine repairs for \$ 43,169 and \$ 142,514, respectively.

As of December 31, 2020 and 2019, withdrawals are recognized for \$ 18,726 and \$ 6,745 for structural repair, respectively, and \$ 104,766 and \$ 104,886 for major repairs of Engines, OVH and LLP, respectively.

- **Reimbursement of predelivery payments:** As of December 31, 2020, the Group suspended the capitalization of interest on PDP'S, mainly due to the cessation of advance payments to aircraft manufacturers. As of December 31, 2020, \$ 19,794 was written off for PDPs, for future orders. As of December 31, 2019, the Group capitalized borrowing costs of \$8,778 at an average interest rate of 7.01%.

During 2020, the Group renegotiated aircraft purchase contracts for \$ 58,548 of which \$ 50,000 were received in cash, \$ 4,329 was retained for future orders and \$4,219 was to cross future predelivery payments. During the year ended December 31, 2019, the Group signed an aircraft purchase contract assignment, assigning 3 Boeing 787-9 aircraft to Valderrama Aviation Limited, for \$ 90,312.

- **Administrative Property:** As of December 31, 2020, additions are mainly recognized for improvements and adherence to the Crew Training building \$ 2,567; \$ 1,074 is recognized for revaluation. Avianca Holdings S.A.'s subsequent measurement policy is to revalue to recognize the fair value of land and buildings, which make up the property category. The fair values of properties are determined using comparable market methods. This means that the valuations made by the experts through the appraisals are based on market prices, adjusted according to individual characteristics, differences in nature, location or condition of the property.

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Impairment

In the year 2019, the impairment loss of \$470,661 represented:

- Impairment of fleet Embraer E-190 and Airbus \$455,794: During the year 2019, due to the organizational transformation plan called "Avianca 2021", the Group made the decision to sell 10 Embraer 190, 10 Airbus A318, 2 Airbus A319, 16 Airbus A320, 4 Airbus A321, 2 Airbus A330 and 1 Airbus A330F, in the search for greater fleet standardization, generating benefits and operational efficiencies. The carrying amount was lower than the fair value less to cost to sell, this was recognized in the consolidated statements of comprehensive income. Then we classified these assets to assets held for sale.
- Administrative properties: Impairment of administrative property located in Venezuela \$14,867 taking into consideration the significantly high levels of inflation that exist in Venezuela and the volatility of foreign currency exchange rates resulting from continued political instability, we record the impairment charges of value of our five offices in Venezuela. As a result of these impairment charges, the remaining book value of these administrative properties is zero. In the year 2019 the process of intention to sell these offices was reactivated.
- Others: The main additions during the year ended December 31, 2020 correspond to assets in progress \$ 2,241, tools \$ 3,644, computer and security equipment \$ 1,673 and other non-aeronautical equipment \$ 2,570.
- The main drops as of December 31, 2020 correspond to Ground support equipment and ramp \$ 22,430, property improvements \$ 13,397, tools and other equipment \$ 5,624.

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Flight equipment, property and other equipment as of December 31, 2020, and 2019 is as follows:

	Flight Equipment	Capitalized Maintenance	Rotable Spare parts	Reimbursement of predelivery payments	Administrative property	Others	Total
Gross:							
December 31, 2019	\$4,933,056	\$ 593,794	\$ 173,318	\$ 181,327	\$ 138,599	\$ 319,138	\$ 6,339,232
Additions	205,289	73,863	6,812	10,118	2,567	11,153	309,803
Disposals	(240,812)	(123,494)	(18,140)	(79,463)	—	(41,451)	(503,360)
Transfers	1,710	2,624	(4,301)	—	414	(447)	—
Reclassification assets held for sale	352,867	—	—	—	—	—	352,867
Revaluation	—	—	—	—	1,074	—	1,074
December 31, 2020	\$ 5,252,110	\$ 546,787	\$ 157,689	\$ 111,982	\$ 142,654	\$ 288,394	\$ 6,499,616
Accumulated depreciation:							
December 31, 2019	\$ 945,220	\$ 225,973	\$ 47,277	\$ —	\$ 27,487	\$ 139,958	\$ 1,385,915
Additions	358,400	88,666	7,307	—	1,684	25,694	481,751
Impairment	—	—	—	—	2,138	—	2,138
Disposals	(38,153)	(114,911)	(6,702)	—	—	(21,966)	(181,732)
Transfers	(1,823)	2,624	(769)	—	414	(446)	—
December 31, 2020	\$ 1,263,644	\$ 202,352	\$ 47,113	\$ —	\$ 31,723	\$ 143,240	\$ 1,688,072
Net:							
December 31, 2019	\$ 3,987,836	\$ 367,821	\$ 126,041	\$ 181,327	\$ 111,112	\$ 179,180	\$ 4,953,317
December 31, 2020	\$ 3,988,466	\$ 344,435	\$ 110,576	\$ 111,982	\$ 110,931	\$ 145,154	\$ 4,811,544

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Flight equipment, property and other equipment as of December 31, 2019 and December 31, 2018 is as follows:

	Flight Equipment	Capitalized Maintenance	Rotable Spare parts	Reimbursement of predelivery payments	Administrative property	Others	Total
Gross:							
December 31, 2018	\$ 5,244,160	\$ 791,004	\$ 225,841	\$ 260,000	\$ 135,838	\$ 263,433	\$ 6,920,276
Adoption IFRS 16 (see note 4)	1,010,200	—	—	—	—	69,533	1,079,733
January 1, 2019	\$ 6,254,360	\$ 791,004	\$ 225,841	\$ 260,000	\$ 135,838	\$ 332,966	\$ 8,000,009
Additions	303,476	219,866	16,196	21,324	—	38,198	599,060
Disposals	(48,381)	(114,323)	(43,207)	(95,848)	—	(46,583)	(348,342)
Transfers	18,237	(8,554)	(5,228)	(4,149)	—	(306)	—
Sale of subsidiaries	(31,270)	(5,424)	(198)	—	—	(2,739)	(39,631)
Transfers to assets held for sale	(1,563,366)	(288,775)	(20,086)	—	—	(2,398)	(1,874,625)
Revaluation	—	—	—	—	2,761	—	2,761
December 31, 2019	\$ 4,933,056	\$ 593,794	\$ 173,318	\$ 181,327	\$ 138,599	\$ 319,138	\$ 6,339,232
Accumulated depreciation:							
December 31, 2018	\$ 1,028,191	\$ 364,976	\$ 57,238	\$ —	\$ 10,789	\$ 145,765	\$ 1,606,959
Additions	341,699	157,572	20,047	—	2,178	26,780	548,276
Impairment	455,794	—	—	—	14,867	—	470,661
Disposals	(39,166)	(111,793)	(12,960)	—	(347)	(28,396)	(192,662)
Transfers	7,682	(6,985)	(637)	—	—	(60)	—
Sale of subsidiaries	(11,560)	(3,597)	(34)	—	—	(1,741)	(16,932)
Transfers to assets held for sale	(837,420)	(174,200)	(16,377)	—	—	(2,390)	(1,030,387)
December 31, 2019	\$ 945,220	\$ 225,973	\$ 47,277	\$ —	\$ 27,487	\$ 139,958	\$ 1,385,915
Net:							

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December 31, 2018	\$	4,215,969	\$	426,028	\$	168,603	\$	260,000	\$	125,049	\$	117,668	\$	5,313,317
December 31, 2019	\$	3,987,836	\$	367,821	\$	126,041	\$	181,327	\$	111,112	\$	179,180	\$	4,953,317

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Notes to Consolidated Financial Statements**(In USD thousands)****(15) Intangible assets and goodwill, net**

Intangible assets and goodwill, net of amortization as of December 31, 2020 and 2019 are follows:

	December 31, 2020	December 31, 2019
Routes	\$ 29,707	\$ 31,911
Trademarks	3,938	3,938
Software and webpages	147,247	158,690
Other intangible rights	—	2,935
Subtotal	180,892	197,474
Goodwill	308,033	308,033
Total Intangible Assets	\$ 488,925	\$ 505,507

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The following is the detail of intangible assets as of December 31, 2020 and 2019:

	Goodwill	Routes	Trade-Marks	Software & Webpages	Others	Total
Cost:						
December 31, 2019	\$ 311,180	\$ 52,481	\$ 3,938	\$ 282,126	\$ 27,521	\$ 677,246
Additions (1)	—	—	—	33,593	—	33,593
December 31, 2020	\$ 311,180	\$ 52,481	\$ 3,938	\$ 315,719	\$27,521	\$ 710,839
Accumulated Amortization and Impairment Losses:						
December 31, 2019	\$ 3,147	\$ 20,570	\$ ¾	\$ 123,436	\$ 24,586	\$ 171,739
Amortization for the year	—	2,204	—	45,036	2,935	50,175
December 31, 2020	\$ 3,147	\$ 22,774	—	\$ 168,472	\$ 27,521	\$ 221,914
Carrying Amounts:						
December 31, 2019	\$ 308,033	\$ 31,911	\$ 3,938	\$ 158,690	\$ 2,935	\$ 505,507
December 31, 2020	\$ 308,033	\$ 29,707	\$ 3,938	\$ 147,247	—	\$ 488,925

(1) The main additions of other intangibles correspond to SAP project for \$23,175, digital transformation project for \$2,387, CRM project \$2,179, Core System project \$1,108, Software and webpages for \$4,071.

The following is the detail of intangible assets as of December 31, 2019 and 2018:

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	Goodwill	Routes	Trade-Marks	Software & Webpages	Others (1)	Total
Cost:						
December 31, 2018	\$ 311,180	\$ 52,481	\$ 3,959	\$ 171,400	\$ 101,447	\$ 640,467
Additions (1)	—	—	—	34,751	2,099	36,850
Transfers	—	—	—	76,025	(76,025)	—
Disposals	—	—	(21)	—	—	(21)
Sale of subsidiaries	—	—	—	(50)	—	(50)
December 31, 2019	\$ 311,180	\$ 52,481	\$ 3,938	\$ 282,126	\$ 27,521	\$ 677,246
Accumulated Amortization and Impairment Losses:						
December 31, 2018	\$ 3,147	\$ 18,182	\$ 7	\$ 86,930	\$ 18,405	\$ 126,664
Amortization for the year	—	2,388	—	36,551	6,181	45,120
Sale of subsidiaries	—	—	—	(45)	—	(45)
December 31, 2019	\$ 3,147	\$ 20,570	\$ 7	\$ 123,436	\$ 24,586	\$ 171,739
Carrying Amounts:						
December 31, 2018	\$ 308,033	\$ 34,299	\$ 3,959	\$ 84,470	\$ 83,042	\$ 513,803
December 31, 2019	\$ 308,033	\$ 31,911	\$ 3,938	\$ 158,690	\$ 2,935	\$ 505,507

(1) The main acquisitions of other intangibles correspond to digital transformation project for \$ 28,567, the SAP project for \$17,566, J2C project for \$ 13,056, SOC Project for \$ 8,848 and CRM project 5,936.

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(15.1) Goodwill and intangible assets with indefinite useful life

For the purpose of verifying the impairment of goodwill acquired through combinations of business and other intangibles with indefinite useful life, acquired before 2020, have been assigned to the air transport segment, since the Group considers that according to the operational and financial synergies between the different companies of the Group, this is the most appropriate and least arbitrary to measure the recoverable amount. In line with operative model of the Group.

The carrying value of the goodwill allocated to the air transport segment is as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Goodwill	\$308,033	\$ 308,033
Routes	23,463	23,463
Trademarks	3,938	3,938

The group performed its annual impairment test in the fourth quarter of 2020 consistently with previous years. As of December 31, 2020, and 2019, the Group did not identify potential impairment of goodwill or intangible assets, nor on equipment properties.

Basis for calculating recoverable amount

The recoverable amounts of CGUs have been measured based on their value-in-use.

Value-in-use is calculated using a discounted cash flow model, Cash flow projections are based on the Business plan approved by the Board covering a five-year period that have been impacted by the decrease in demand and the restrictions imposed by various governments in the region and the corresponding adjustment of capacity offered.

Cash flows extrapolated beyond the five-year period are projected to increase based on long-term growth rates, Cash flow projections are discounted using the CGU's pre-tax discount rate.

Under the Board of directors approved business plan in the fourth quarter of 2020 and knows the impacts generated by COVID 19, The cash flows that have been used in the value-in-use calculations of business plans reflect the estimated negative impact of COVID 19 and the travel restrictions imposed on governments, based on the information that was known at the time and that is being put into practice by the Directorate under the existing conditions.

Macroeconomic assumptions are based on market data extracted from Bloomberg for both the expected WTI price and the expected interest rate levels, which have a direct impact on our cost projections, all costs are affected by inflation.

The main assumptions used in the calculations of the value in use are as follows:

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of goodwill, routes and trademarks with indefinite life	\$ 335,434	\$ 335,434
Impairment losses	—	—
Revenue growth p.a. over planning period	2.5% to 24.8%	2.3% to 5%
Operating income over planning period	(5.9%) to 11.4%	5.2% to 8.8%
Capital expenditures over planning period	1.24% to 3.86%	(0.2%) to 12.69%
Duration of planning period	5 years	5 years
Revenue growth p.a. after planning period	3.7%	4.3%
Operating Income after planning period	11.50%	10.00%
Capital expenditures after planning period	2.43%	6.43%
Business Enterprise Value	5,724,540	9,269,446
Discount rate (1)	14.11%	8.72%

As of December 31, 2020, the net book value of the Air Transport UGE, including intangible assets with an indefinite life, amounts to \$ 3,190,059.

- (1) As a result of the distortion caused by the contingency of COVID-19 in market rates, for the impairment test, as of December 31, 2020, discount rates have been used, ranging from 9.34% until 14.11%.

(16) Assets held for sale

In August 2019, the Group began the process of selling 10 Airbus A318, 2 Airbus A319, 16 Airbus A320, 4 Airbus A321, 2 Airbus A330, 1 Airbus A330F and 10 Embraer E-190, in accordance with the business transformation plan where greater efficiency of the operated fleet is sought, This sale process was subject to customary closing conditions, This plan seeks to reduce the families of older aircraft, to increase our efficiency.

Assets held for sale as of December 31, 2020 and December 31, 2019 consisted of the following assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Airbus aircraft (1,2)		128,640
Airbus aircraft – Sale and subsequent lease (1,2)		489,149
Parts inventory (3)	884	63,264
Total assets held for sale	<u>\$ 884</u>	<u>\$ 681,053</u>
Liabilities associated with the assets held for sale		490,458
Total Debt assets held for sale	<u>\$ —</u>	<u>\$ 490,458</u>

- (1) During 2020, the aircraft: 2 Airbus A319, 3 Airbus A320, 4 Airbus A321, 2 Airbus A330 and 1 Airbus A330F, were classified as part of property and equipment for \$ 352,867 (See note 14) due to their

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The sale does not meet the criteria of “highly probable”, derived from the current situation of the Group due to the effects of COVID-19 (See note 2e) and subsequent decision to benefit from the voluntary reorganization under chapter 11. The amount for which they were recognized in property and equipment correspond to their recoverable value.

- (2) In December 2019, the Group signed a letter of intent for the sale and subsequent lease agreement with Avolon Aerospace Leasing Limited in relation to 15 aircraft (Airbus A320 and A321), of which 9 Airbus A320 aircraft were sold during 2020 with subsequent lease, for a value of \$ 263,293 and this operation generated a loss on sale of \$ 1,628.
- (3) As of December 31, 2020, 10 Embraer 190 for \$62,356, These sales generated a loss of \$16.
- (4) The assets classified as held for sale belong to the operating segment of air transportation.

(17) Debt

Loans and borrowings, measured at amortized cost, as of December 30, 2020 and December 31, 2019 are summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current:		
Short-term borrowings and current portion of long-term debt	\$ 4,235,197	\$ 569,292
Current portion-bonds	352,011	65,632
Short-term aircraft rentals - right of use	414,410	229,260
Short-term other rentals - right of use	9,476	7,860
	<u>\$ 5,011,094</u>	<u>\$ 872,044</u>
Noncurrent:		
Long-term debt	\$ 292,503	\$ 2,557,257
Non-current portion-bonds	-	465,612
Long-term aircraft rentals - right of use	929,789	899,265
Long-term other rentals - right of use	47,870	62,145
	<u>\$ 1,270,162</u>	<u>\$ 3,984,279</u>

As of December 31, 2020, the debt is classified as follows:

	<u>31 de December, 2020</u>
Guaranteed	\$ 4,026,496
Not Guaranteed	174,167
Subtotal	<u>\$ 4,200,663</u>
Debt in Chapter 11	\$ 4,200,663
Loans	397,630
(Debtor in Possession)	1,682,963
DIP	-
Total	<u>\$ 6,281,256</u>

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The debt of companies that filed voluntary petitions to the Bankruptcy Court of the Southern District of New York for protection under Chapter 11 of the United States Bankruptcy Code (11 USC § 101, et, seq) as of May 10, 2020 was \$4,829,070. During the hearing held on June 11, 2020, the Court approved a motion to reject 12 aircraft, of which 10 corresponded to companies under the protection of Chapter 11 and had a debt of \$259,347. As of December 31, 2020, the total debt of the companies that filed for protection under Chapter 11 is \$4,200,663. The total debt for the 12 rejected aircraft is \$277,091.

Non-compliance debt

As of December 31, 2020, we have reclassified long-term debt to short-term debt for \$2,073,197 as a result of default on the loan conditions, derived from non-payment decisions originated by the measures taken to preserve the Group's cash as consequence of COVID-19 (See note 2e), On March 20, 2020, we unilaterally suspended debt amortization payments for \$210 million.

Additionally, aircraft rental payments under operating lease were suspended for \$ 157 million. The long-term portion related to these leases is not reclassified to the short-term, as its accelerated payment is not required.

Terms and conditions of the Group's outstanding obligations for periods ended December 31, 2020 and December 31, 2019, are as follows:

	December 31, 2020			
	Due through	Weighted average interest rate	Nominal Value	Carrying Amount
Short-term borrowings	2022	6.00%	\$ 108,257	\$ 99,857
Long-term debt	2029	6.91%	4,975,853	4,427,843
Bonds	2023	8.88%	550,000	352,011
Aircraft rentals	2031	4.92%	1,266,489	1,344,199
Other rentals	2037	7.16%	87,405	57,346
Total			\$ 6,988,004	\$ 6,281,256

	December 31, 2019			
	Due through	Weighted average interest rate	Nominal Value	Carrying Amount
Short-term borrowings	2020	6.43%	\$ 128,671	\$ 118,137
Long-term debt	2029	4.68%	4,185,526	3,008,412
Bonds	2023	9.93%	550,000	531,244

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Aircraft rentals	2031	4.92%	1,347,219	1,128,525
Other rentals	2037	7.37%	87,405	70,005
Total			<u>\$ 6,298,821</u>	<u>\$ 4,856,323</u>

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

	<u>December 30, 2020</u>	<u>December 31, 2019</u>
Aircraft	\$ 1,883,281	\$ 1,832,500
Corporate	2,644,419	1,294,049
Bonds	352,011	531,244
Right of use IFRS 16	1,401,545	1,198,530
	<u>\$ 6,281,256</u>	<u>\$ 4,856,323</u>

The main additions for the year ended December 31, 2020 and 2019 corresponds to:

- During 2020, the Group recognized rights of use debt for \$191,819 for nine Airbus A320.
- During 2020, the Group obtained new debt by \$1,088,371 under DIP Structure composed of new disbursements and accrued interests capitalized. Additionally, the Company made roll-up to Stakeholders Loans by \$386,998 and Senior Notes 2023 by \$219,600 under the same DIP Structure.
- During 2019, the Group obtained \$165,838 under loans in order to refinance three A319, nine A320, two A321 and two A330 aircraft. In addition, there were registered use rights debt for \$313,001 for three Airbus A320N, Boeing 787-9 and refinancing of the fleet that is recognized as rights of use.
- Loans for general purposes of:
 - During 2020, the Group obtained \$77,917 for working capital purposes, It includes a loan with Citadel for \$51,000 through their administrative agent UMB Bank N,A, at a rate 9% for a term of 1 year, and a loan acquired by LifeMiles for \$20,000 at a rate Libor + 4,5% a term of 2 years.
 - During 2019, the Group obtained \$459,717 for working capital. Mainly, it corresponds to a \$324,000 loan with Kingsland and United Airlines and private investors through their administrative agent UMB Bank N.A. at a rate 3% for a term of 4 years. Also, there are loans acquired by LifeMiles, \$100,000 at a rate Libor + 5.5 for a term of 3 years.

Secured loan agreement with United Airlines Inc, and Kingsland International Group S.A.

On November 18, 2019, Avianca Holdings S,A signed a \$250,000 convertible secured loan agreement with United Airlines, Inc, ("United") and Kingsland International Group, S.A. or its affiliates (collectively, "Kingsland"), as creditors, which was added for \$ 74,000 for a total of \$324,000.

The main terms and conditions of convertible loan are:

- Expiration: Four years from the date of initial disbursement.

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- Interest: 3% annual PIK.
- Guarantee: A pledge on the shares of the most relevant subsidiaries of the Company.
- Conversion Price: \$4.6217 (in dollars) for each ADS, representing a 35% surcharge to the weighted average price volume at 90 days, as of October 3, 2019, of \$3.4235 (in dollars), If there is a change of control event of the Company, the conversion price will be reduced to \$4.1595 (in dollars), The conversion price can be adjusted if the price adjustment events contemplated in the agreement are given.
- Mandatory conversion: The Company may require that the entire amount due under the Convertible Loan, together with all the corresponding PIK interest and cash caused, be converted into the Company's capital in the event that the following conditions are met: (i) (a) Company ADSs are priced at a price of \$7.00 (in dollars), or greater, at a weighted average price volume at 112 of 150 consecutive business days (if such conversion occurs after the first anniversary of the Convertible Loan disbursement) or (b) the Company ADSs are quoted at a price of \$7.00 (in dollars), or greater, at a weighted price volume of 90 consecutive 120 business days (if such conversion occurs after the first anniversary of the disbursement of the Convertible Loan), (ii) the total average consolidated cash balance of the Company is equal to or exceeds \$700,000 in the immediately preceding six -month period, (iii) the non-existence of defaults under the Convertible Loan documentation and (iv) the non-existence of material disputes.
- According to the contractual conditions, this financial instrument is classified as debt.

However, as of December 31, 2020, the obligations that had been contracted with United Airlines, Inc and Kingsland International Group, S.A. or its affiliates were incorporated into financing under the Debtor in Possession ("DIP") structure, as part of Avianca Holdings' debt restructuring.

Senior bonds

As part of the Avianca Holdings debt reprofiling program, on December 31, 2019, the automatic and mandatory exchange of \$ 484,419 of the aggregate principal amount of the Guaranteed Senior Bonds issued and in circulation with a 8.375% coupon with maturity in 2020 for an Amount of nominal equivalent Senior Guaranteed, with a coupon of 9.00% and maturity in 2023 (the "New Bonds"), The non-exchanged bonds ("Existing Bonds") amount to an amount of \$65,632 that have the same conditions of the initial issuance and maturity in May 2020.

As of December 31, 2020, and December 31, 2019 the Senior Notes outstanding, and the corresponding balances are as follows:

- Initial issue – existing bonds

Issuing entities	Original currency	Total placed in original currency	Balance as of	
			December 31, 2020	December 31, 2019
Avianca Holdings S.A., Avianca Leasing LLC and Grupo Taca Holdings Limited	USD	550,000	\$ 71,073	\$ 65,632

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Issuers:	Avianca Holdings S.A., Avianca Leasing, LLC, and Grupo Taca Holdings Limited
Guarantors:	Avianca Costa Rica, S.A., Avianca Perú S.A., and Taca International Airlines, S.A. fully and unconditionally guarantee the total Notes, Aerovías del Continente Americano – Avianca, S.A. unconditionally guarantee the obligations of Avianca Leasing, LLC under the Senior Notes in an amount equal to \$367 million.
Pending bonds	\$ 65,581 aggregate capital amount of 8.375% Senior Bonds payable in 2020.
Initial Issue Price:	98.706%
Initial Issue Date:	May 10, 2013
Issue Amount:	\$300 million
Interest:	The Senior Notes will bear interest at a fixed rate of 8.375% per year, The first issuance is payable semiannually in arrears on May 10 and November 10 of each year, commencing on November 10, 2013, Interest will accrue from May 10, 2013, The second issuance is payable semiannually in arrears on May 10 and November 10 of each year, commencing on May 10, 2014.
Second Issue Price:	104.50%
Second Issue Date:	April 8, 2014
Maturity Date (a):	The Senior Notes matured on May 10, 2020

- (a) Due to the COVID-19 pandemic and the adverse effects caused, was not possible the Senior Bonds pay with an expiration date of May 10, 2020, Therefore, and in accordance with the indicated in note 2(e) this measure was taken with the objective of preserving the Group's cash.

- **New bonds**

Issuing entities	Original currency	Total placed in original currency	Balance as of	
			December 31, 2020	December 31, 2019
Avianca Holdings S.A. (1)	USD	484,419	\$ 280,938	\$ 465,612

Issuers:	Avianca Holdings S.A.
Guarantors:	Avianca Costa Rica, S.A, Avianca Perú S.A., and Taca International Airlines, S.A. fully and unconditionally guarantee the total Notes, Aerovías del Continente Americano – Avianca, S.A, unconditionally guarantee the obligations of Avianca Leasing, LLC under the Senior Notes in an amount equal to \$367 million.
Pending bonds	\$484,419 aggregate capital amount of 9.00% Senior Bonds payable in 2023.
Initial Issue Date:	December 31, 2019.
Issue Amount:	\$484,419
Interest:	The Senior Notes will bear interest at a fixed rate of 9.00% per year, The first issuance is payable semiannually in arrears on May 10 and November 10 of

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each year, commencing on November 10, Interest will accrue from May 10, 2020, The interest are accumulated from December 31, 2019.

Transaction costs The transaction costs associated with this new bond issue were \$18,807, which are presented as a lower value of the initial carry amounts.

Maturity Date: The Senior Notes will mature on May 10, 2023

- (1) As of December 31, 2020, as part of debt restructuring, a Roll-up of the obligations for \$219,600 is carried out; because some bondholders joined the financing under the DIP structure and last year's costs were amortized.

Future payments on long-term debt

The following future payments including interests on long-term debt for the periods ended December 31, 2020 and December 31, 2019.

The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

Aircraft and corporate debt

	Years					Total
	One	Two	Three	Four	Five and thereafter	
December 31, 2020	\$ 4,304,761	\$ 305,443	\$ –	\$ –	\$ –	\$ 4,610,204
December 31, 2019	\$ 554,021	\$ 540,615	\$ 853,756	\$ 612,874	\$ 1,078,742	\$ 3,640,008

Bonds

	Years					Total
	One	Two	Three	Four	Five and thereafter	
December 31, 2020	\$ 352,011	\$ –	\$ –	\$ –	\$ –	\$ 352,011
December 31, 2019	\$ 105,022	\$ 43,598	\$ 43,598	\$ 506,218	\$ –	\$ 698,436

Aircraft rights of use

	Years					Total
	One	Two	Three	Four	Five and thereafter	
December 31, 2020	\$ 471,635	\$ 319,849	\$ 258,452	\$ 229,118	\$ 262,097	\$ 1,541,151

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December 31, 2019	<u>\$ 256,192</u>	<u>\$ 238,618</u>	<u>\$ 226,537</u>	<u>\$ 198,880</u>	<u>\$ 323,329</u>	<u>\$ 1,243,556</u>
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Other rights of use

	Years					Total
	One	Two	Three	Four	Five and thereafter	
December 31, 2020	<u>\$ 14,350</u>	<u>\$ 6,825</u>	<u>\$ 5,205</u>	<u>\$ 4,946</u>	<u>\$ 74,110</u>	<u>\$ 105,436</u>
December 31, 2019	<u>\$ 8,318</u>	<u>\$ 8,141</u>	<u>\$ 7,557</u>	<u>\$ 7,487</u>	<u>\$ 46,812</u>	<u>\$ 78,315</u>

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Changes in liabilities derived from financing activities at December 31, 2020

	January 1, 2020	New acquisitions (1)	New Leases (2)	Financial Cost	Payments	Interest Payments	Foreign exchange movement / Others (3)	Reclassification (4,5)	December 31, 2020
Current interest-bearing loans and borrowings (excluding items listed below)	\$ 118,137	\$ 51,223	\$ –	\$ 6,707	\$ (14,447)	\$ (2,400)	\$ (9,363)	\$ (50,000)	\$ 99,857
Current portion of long-term credits (excluding items listed below)	\$ 451,155	\$ 1,048,941	\$ –	\$ 174,384	\$ (269,357)	\$ (102,713)	\$ (203,479)	\$ 3,036,409	\$ 4,135,340
Current Bonds	\$ 65,632	\$ –	\$ –	\$ 21,475	\$ 85	\$ –	\$ –	\$ 264,819	\$ 352,011
Non-current bonds	\$ 465,612	\$ –	\$ –	\$ 2,314	\$ –	\$ –	\$ 16,493	\$ (484,419)	\$ –
Non-current portion of long term debt	\$ 2,557,257	\$ 12,916	\$ –	\$ –	\$ –	\$ –	\$ (1,319)	\$ (2,276,351)	\$ 292,503
Aircraft rentals – right of use	\$ 1,128,525	\$ –	\$ 191,819	\$ 79,730	\$ (52,729)	\$ (28,919)	\$ 25,773	\$ –	\$ 1,344,199
Other rentals – right of use	\$ 70,005	\$ –	\$ 15	\$ 1,688	\$ (14,400)	\$ (2,031)	\$ 2,069	\$ –	\$ 57,346
Total liabilities from financing activities	\$ 4,856,323	\$ 1,113,080	\$ 191,834	\$ 286,298	\$ (350,848)	\$ (136,063)	\$ (169,826)	\$ 490,458	\$ 6,281,256

- (1) The value indicated in the cash flow is \$ 944,580, the difference corresponding to: \$168,500 for the acquisition of Lifemiles. The transaction costs of the DIP financing contracts amount to \$42,516.
- (2) Property and equipment acquired during the period under financial and operating lease; These movements have no effect on the consolidated statement of cash flows.
- (3) As part of reorganization proceedings on Chapter 11, 8 aircraft of financial lease and 4 aircraft recognized as rights of use were rejected.
- (4) \$490,458 it was reclassified from liabilities associated with the assets held for sale to short-term and long-term debt, Likewise, a reclassification of long-term short-term debt of \$2,073,197 has been recognized for purposes of non-compliance in some terms and conditions of our debts.
- (5) As part of the debt restructuring, the Company Rolled-up stakeholder loans for \$50,000 and Senior Notes 2023 under the DIP structure for a total of \$219,600.

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Changes in liabilities derived from financing activities at December 31, 2019

	January 1, 2019	Adoption IFRS 16	New acquisitions (2)	New Leases (1)	Financial Cost	Payments	Interest Payments	Foreign exchange movement / Others	Reclassification (3)	December 31, 2019
Current interest-bearing loans and borrowings (excluding items listed below)	\$ 119,866	\$ –	\$ 26,717	\$ –	\$ 7,563	\$ (27,833)	\$ (7,207)	\$ (969)	\$ –	\$ 118,137
Current portion of long-term credits (excluding items listed below)	469,500	–	144,783	–	155,444	(378,893)	(162,096)	(6,976)	229,393	451,155
Current Bonds	587,292	–	–	–	47,112	(26,820)	(53,866)	(3,667)	(484,419)	65,632
Non-current bonds	–	–	465,612	–	–	–	–	–	–	465,612
Non-current portion of long term debt	2,830,922	–	454,055	–	–	–	–	(7,869)	(719,851)	2,557,257
Aircraft rentals – right of use	–	1,010,200	–	313,001	49,081	(194,676)	(49,081)	–	–	1,128,525
Other rentals – right of use	–	69,533	–	9,144	2,804	(9,518)	(2,804)	846	–	70,005
Total liabilities from financing activities	\$ 4,007,580	\$ 1,079,733	\$ 1,091,167	\$ 322,145	\$ 262,004	\$ (637,740)	\$(275,054)	\$ (18,635)	\$ (974,877)	\$ 4,856,323

- (1) Goods and equipment acquired during the period under finance and operative lease; these movements have no effect on the consolidated statement of cash flows.
- (2) The value indicated in the cash flow is \$ 616,555, the difference of \$ 465,612 corresponds to the value of the bonds exchanged (\$484,419) in December 2019 less transaction costs (\$18,807) and \$9,000 corresponds to a loan acquired by Aerounion for the acquisition of the Airbus A330 aircraft with Scotiabank Bank, a movement that is not shown because it is related to property and equipment.
- (3) A reclassification of long-term short-term debt of \$34,407 has been made for purposes of non-compliance in some terms and conditions of our debts, which are currently being negotiated. Likewise, \$490,458 was reclassified corresponding to debt associated with assets that are available for sale. Additionally, the decrease in the debt of the initial bonds that were exchanged for \$484,419 in December 2019.

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Accounts payable as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current:		
Trade accounts payable	\$ 381,486	\$ 302,414
Taxes no related to rent (1)	105,046	210,330
Social Charges (2)	1,766	327
Other payables (3)	733	17,544
Total	\$ 489,031	\$ 530,615
Non-Current:		
Trade accounts payable	5,086	2,112
Social Charges (2)	2,070	2,190
Other payables (3)	10,069	7,629
Total	\$ 17,225	\$ 11,931

- (1) These corresponds to taxes and fees charged to passengers that will be paid to the government authority such as airport taxes, departure and entry taxes to countries, etc. In addition to VAT and VAT withholding payable and that due to the COVID-19 pandemic generated a decrease for the end of 2020.
- (2) Represent payroll taxes and contributions based on salaries and compensation paid to employees of the Group in the various jurisdictions in which it operates.
- (3) The other accounts payable mainly include provisions for travel expenses, provisions for fees and accrued interest. As well as projects related to aircraft that are in the long term.

As of December 31, 2020, the accounts payable prior to entering Chapter 11 of the companies that availed themselves of this protection subject to compromise have a value of \$ 227,843.

(19) Accrued expenses

Accrued expenses as of December 31, 2020 and 2019 are as follows:

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Operating expenses (1)	\$ 16,448	\$ 82,117
Other accrued expenses (2)	—	5,493
Total	\$ 16,448	\$ 87,610

(1) Corresponds mainly costs for landings, credit card commissions, air navigation, ground services and passenger services.

(2) Other accrued expenses include transport, freight and haulage, public services and maintenance.

As of December 31, 2020, the Accrued expenses prior to entering Chapter 11 of the companies that availed themselves of this protection subject to compromise have a value of \$22.

(20) Provisions for return conditions

For certain operating leases, the Group is contractually obligated to return the aircraft in a predefined condition. The Group accrues for restitution costs related to aircraft held under operating leases at the time the asset does not meet the return conditions criteria and throughout the remaining duration of the lease.

Provisions for return conditions as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	\$ 22,277	\$ 21,963
Non - current	138,562	122,425
Total	\$ 160,839	\$ 144,388

Changes in provisions for return conditions as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Balances at beginning of year	\$ 144,388	\$ 130,160
Provisions made	25,435	65,671
Provisions reversed	(6,475)	(49,557)
Provisions used	(2,509)	(1,886)
Balances at end of year	\$ 160,839	\$ 144,388

As of December 31, 2020, there is an increase in maintenance reserves, mainly explained by changes in the scheduling of maintenance visits, incorporation of aircraft and start of provision of spare engines, updating of the present value of the provision and contract extensions.

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(21) Employee benefits

Employee benefits as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Defined benefit plan	\$143,684	\$ 156,732
Other benefits short term	91,176	105,792
Other benefits long term	3,736	4,491
Total	<u>\$238,596</u>	<u>\$ 267,015</u>
Current	\$135,056	\$ 148,678
Non - current	103,540	118,337
Total	<u>\$238,596</u>	<u>267,015</u>

The Group has a defined benefit plan which requires contributions to be made to separately administered funds. The Group has also agreed to provide post-employment benefits to its retirees that consist primarily of medical benefit plans as well as certain other benefits, including scholarships, tickets, seniority and retirement. These other benefits are unfunded.

Accounting for pensions and other post-employment benefits involves estimating the benefit cost to be provided well into the future and attributing that cost over the time period in which each employee works for the Group. This requires the use of extensive estimates and assumptions about inflation, investment returns, mortality rates, turnover rates, medical cost trends and discount rates, among other information. The Group has two distinct pension plans, one for pilots and the other for ground personnel. Both plans have been closed to new participants, and therefore there are a fixed number of beneficiaries covered under these plans as of December 31, 2020 and 2019.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value of plan assets	\$ (216,548)	\$ (204,527)
Present value of the obligation	360,232	361,259
Total employee benefit liability	<u>\$143,684</u>	<u>\$ 156,732</u>

The following table summarizes the components of net benefit expense recognized in the consolidated statement of comprehensive income and the funded status and amounts recognized in the consolidated statement of financial position for the respective plans:

Net benefit expense - year ended December 31, 2020 (recognized in Salaries, wages and benefits)	<u>Defined benefit plan</u>	<u>Other benefits</u>
Current service cost	\$1,492	\$2,062
Interest cost on net benefit obligation	16,472	3,625
Interest income on plan assets	(12,191)	-

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Net Cost	\$5,773	\$5,687
Net benefit expense – year ended December 31, 2019 (recognized in Salaries, wages and benefits)	Defined benefit plan	Other benefits
Current service cost	\$ 1,152	\$ 1,359
Interest cost on net benefit obligation	16,376	3,780
Interest income on plan assets	(12,827)	–
Net Cost	\$ 4,701	\$ 5,139

Changes in the present value of defined benefit obligation as of December 31, 2020 are as follows:

	Defined benefit Obligation	Other benefits	Total
Benefit obligation as of December 31, 2019	300,288	60,971	361,259
Period cost	17,964	5,687	23,651
Benefits paid by employer	(26,119)	(3,737)	(29,856)
Remeasurements of defined benefit liability	9,498	6,164	15,662
Other	145	–	145
Exchange differences	(9,832)	(797)	(10,629)
Benefit obligation as of December 31, 2020	291,944	68,288	360,232
Fair value of plan assets	(216,548)	–	(216,548)
Total employee benefit liability	\$ 75,396	\$ 68,288	\$ 143,684
Current	39,219	3,333	42,552
Non-current	36,177	64,955	101,132
Total	\$ 75,396	\$ 68,288	\$ 143,684

Changes in the fair value of plan assets are as follows:

	Defined benefit plan
Fair value of plan assets at December 31, 2019	\$ 204,527
Interest income on plan assets	12,191
Remeasurement of interest assumptions	1,625
Employer contributions	29,650

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Benefits paid	(22,246)
Exchange differences	(9,199)
Fair value of plan assets at December 31, 2020	<u>\$ 216,548</u>

Changes in the present value of defined benefit obligation as of December 31, 2019 are as follows:

	<u>Defined benefit Obligation</u>	<u>Other benefits</u>	<u>Total</u>
Benefit obligation as of December 31, 2018	\$ 268,486	\$ 54,970	\$ 323,456
Period cost	17,528	5,139	22,667
Benefits paid by employer	(27,726)	(5,190)	(32,916)
Remeasurements of defined benefit liability	42,048	7,878	49,926
Exchange differences	(48)	(1,826)	(1,874)
Benefit obligation as of December 31, 2019	300,288	60,971	361,259
Fair value of plan assets	(204,527)	—	(204,527)
Total employee benefit liability	\$ 95,761	\$ 60,971	\$ 156,732
Current	\$ 39,539	\$ 3,346	\$ 42,885
Non-current	56,222	57,625	113,847
Total	\$ 95,761	\$ 60,971	\$ 156,732

Changes in the fair value of plan assets are as follows:

	<u>Defined benefit plan</u>
Fair value of plan assets at December 31, 2018	\$ 178,594
Interest income on plan assets	12,827
Remeasurement of interest assumptions	7,385
Employer contributions	34,083
Benefits paid	(25,509)
Exchange differences	(2,853)
Fair value of plan assets at December 31, 2019	<u>204,527</u>

For the year ended December 31, 2020 and 2019, the remeasurements of defined benefit plan liability, net of \$(14,037) and \$(42,541) respectively were recognized in other comprehensive income.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Actuarial gains (losses) recognized in other comprehensive income	\$ (15,662)	\$ (49,926)
Return on plan assets adjustment	1,625	7,385
Losses recognized in other comprehensive income	\$ (14,037)	\$ (42,541)

The Group expects to contribute \$34,321 to its defined benefit plan and other benefits in 2021.

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Plan assets correspond to net funds transferred to CAXDAC, which is responsible for the administration of the pilots' pension plan. The assets held by CAXDAC are segregated into separate accounts corresponding to each contributing Group. Additionally, the plan assets included a portion relating to pension plan of ground personnel.

The principal assumptions (inflation-adjusted) that are used in determining pension and post-employment medical benefit obligations for the Group's plans are shown below:

	December 31, 2020	December 31, 2019
Discount rate on all plans	6.00%	6.25%
Price inflation	3.00%	3.00%
Future salary increases		
Pilots	4.00%	4.00%
Cabin crew	4.00%	4.00%
Other employees	4.00%	4.00%
Future pension increase	3.00%	3.00%
Healthcare cost increase	4.50%	4.50%
Ticket cost increase	3.00%	3.00%
Education cost increase	3.00%	3.00%

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	December 31, 2020	December 31, 2019
Equity securities	56.00%	31.00%
Debt securities	12.00%	18.00%
Domestic Corporate bonds	23.00%	44.00%
Foreign government/corporate bonds	2.00%	1.00%
Other	7.00%	6.00%

Equity securities comprise investments in Colombian entities with a credit rating between AAA and BBB. The debt securities include investments in bonds of the Colombian government, in banks and in Colombian public and private entities. Domestic corporate bonds include bonds issued by private companies and Foreign Government Corporate Bonds include Yankee bonds and bonds issued by financial and private entities abroad.

The following are the expected payments or contributions to the defined Benefit plan in future years:

	December 31, 2020	December 31, 2019
Year 1	\$34,318	\$ 34,655
Year 2	20,714	21,413
Year 3	21.303	21,868

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Year 4	22,253	22,537
Year 5	21,841	23,288
Next 5 years	115,073	117,918
	<u>\$235,502</u>	<u>\$ 241,679</u>

The average duration of the benefit plan obligation at December 31, 2020 and 2019 is 11.10 and 10.79 years, respectively.

Pension plans for ground personnel

In 2008, the Group entered into a commutation agreement with Compañía Aseguradora de Vida Coleseguros S.A. (Insurance Company) in connection with the pension liability of two of the Company's pension plans.

As of December 31, 2020, and 2019, there are 12 beneficiaries, which have not been commuted. Consequently, the Group estimates through an actuarial calculation the pension liability of these beneficiaries.

Pension plans for flight personnel

Due to local regulations for two of the Group's pension plans, the Group has to make contributions to a fund which is externally administrated. The amount of the annual contribution is based on the following:

- Basic contribution for the year: equal to the expected annual pension payments.
- Additional contribution for the year (if necessary): equal to the necessary amount to match the actuarial liability under local accounting rules and the plan assets as of year 2023 (determined with an actuarial calculation).

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the aforementioned assumptions. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions:

	<u>0.5% increase</u>	<u>0.5% decrease</u>
Discount rate	(18,862)	21,856
Pension increase	16,501	(14,348)
Mortality table	(1,317)	(13,317)
Healthcare cost table	(2,252)	(8,887)

Other employee benefits

In the year 2018, the Group implemented a new incentive plan denominated options of shares: Avianca Holdings.

Annually, the beneficiaries of the plan will receive a package of virtual shares to which they can be made creditors at the end of the period, as long as the financial and customer satisfaction goals of the business plan are met.

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Once the goal board is closed, and at the end of the period, the number of virtual shares the beneficiary takes can go from 0% to 200%, depending on the performance of long-term indicators. These indicators are measured in the short term (1 year), but their payment is long term, which will be deferred in 3 payments as long as there is employment linkage at the time of payment.

The beneficiaries of the plan are those positions of Vice President and Director level, in addition all those persons who are defined as high potential and / or who hold critical positions which must be approved by the CEO.

Each year a new package of virtual shares will be settled, which according to the performance of the period will be delivered in thirds during the following three years. The value to be paid for each third will be the result of calculating the number of virtual shares to be paid, multiplied by the value of the Avianca Holdings S.A. share in NYC for the period. The payment will be made in the base country of work of the beneficiary, the value will be subject to the deductions of taxes that correspond to each country at the time of payment.

Based on the aforementioned assumptions, the Group recorded a liability of \$1,233 and \$2,619 on December 31, 2020 and 2019 which is considered within the other long-term employee benefits as a non-current liability in the consolidated statement of financial position.

(22) Air traffic liability and frequent flyer deferred revenue

The air traffic liability comprises the proceeds from the unused air ticket or the revenues corresponding to the unused portion of a ticket sold. The Group periodically evaluates this liability and any significant adjustment is recorded in the consolidated statements of comprehensive income. These adjustments are mainly due to differences between actual events and circumstances such as historical sales rates and customer travel patterns that may result in refunds, changes or expiration of tickets that change substantially from the estimates.

The balance as of December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Air traffic liability	\$ 399,184	\$ 337,363
Miles deferred revenue	162,013	187,931
Current	\$ 561,197	\$ 525,294
Miles deferred revenue	\$ 290,802	\$ 229,701
Non-current	\$ 290,802	\$ 229,701

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(23) Other Liabilities

The other liabilities as of December 31, 2020 and 2019 are as follows:

	<u>Notes</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Derivative instruments	28, 29	\$ 2,697	\$ 1,289
Deferred Revenue(1)		7,270	55,256
Other		2,149	14
Total		\$ 12,116	\$ 56,559
Current		\$ 4,144	\$ 5,110
Non-current(1)		7,972	51,449
Total		\$ 12,116	\$ 56,559

- (1) Corresponds mainly to deferred profits from sales and subsequent. The variation corresponds mainly to the recognition of \$ 38,200 of profit on the sale of aircraft.

(24) Equity

Common and preferred shares

On November 5, 2013 "The Company issued 12,500,000 American Depository Shares (ADS) " and each represented eight preferred shares. The net income derived from this offer amounts to \$183,553 million (net of deduction of emission costs for \$3,956), the preferred shares do not have the right to vote nor can they become common shares, the holders of the preferred shares and ADSs will be entitled to receive a minimum dividend to be paid with preference over the holders of the common shares, provided that the dividends have been declared by our shareholders at the annual meeting, If no dividends are declared, none of our shareholders will be entitled to dividends, If the dividends are declared and our annual distributable earnings are sufficient to pay a dividend of at least COP\$50 per share to all of our holders of preferred and ordinary shares, such benefits will be paid equally with respect to our preferred and ordinary shares, however, if our earnings Annual distributions are insufficient to pay a dividend of at least COP\$50 per share to all our holders of preferred and ordinary shares, a minimum preferred dividend of COP\$50 per share will be distributed in proportion to the holders of preferred shares, and any excess over said minimum preferred dividend will be distributed exclusively to holders of ordinary shares.

In relation to this offer, common shareholders ("selling shareholders") converted 75,599,997 common shares to preferred shares representing 14,734,910 ADS. As a result, the number of common shares was reduced to 665,800,003 and the number of preferred shares increased by 75,599,997 for a total of 331,187,285 preferred shares. The Group did not receive any part of the net income from the sale of the ADS by the selling shareholders.

As of December 31, 2013, "the Group acquired 197,141 of its current preferred shares" consequently, current preferred shares decreased by \$25 and the additional capital paid in preferred shares was reduced by \$452.

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On November 28, 2014, common shareholders ("selling shareholders") converted 5,000,000 ordinary shares to preferred shares, as a consequence, the number of common shares was reduced to 660,800,003 and the number of preferred shares increased by 5,000,000 to 336,187,285 preferred shares.

The following is a summary of authorized, issued and paid shares:

	December 31, 2020	December 31, 2019
Authorized shares	4,000,000,000	4,000,000,000
Common shares issued and paid	660,800,003	660,800,003
Preferred shares issued and paid	336,187,285	336,187,285

The nominal value per share is \$0.12 Expressed in cents.

Other Comprehensive Income ("OCI") Reserves

The movement of the other comprehensive income from December 31 2019, to December 31, 2020, is as follows:

	Attributable to owners of the Company							Total	NCI	Total OCI
	Hedging reserves (1)	Fair value reserves (2)	Reserves relating to actuarial gains and losses (3)	Fair value reserves	Income tax reserves relating to (4)	Reserves relating to actuarial gains and losses	Revaluation of administrative property (5)			
As of December 31, 2019	\$ (3,098)	\$ 457	\$ (116,704)	\$ 3	\$ 527	\$ 40,695	\$(78,120)	16	\$ (78,104)	
Other comprehensive Income (loss) for the	495	503	(14,608)	—	(855)	1,074	(13,391)	587	(12,804)	
As of December 31, 2020	\$ (2,603)	\$ 960	\$ (131,312)	\$ 3	\$ (328)	\$ 41,769	\$(91,511)	\$ 603	\$ (90,908)	

The movement of the other comprehensive income from December 31 2018, to December 31, 2019, is as follows:

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	Attributable to owners of the Company									
	Hedging reserves (1)	Fair value reserves (2)	Reserves relating to actuarial gains and losses (3)	Income tax reserves relating to (4)		Revaluation of administrative property (5)	Total	NCI	Total OCI	
				Fair value reserves	Reserves relating to actuarial gains and losses					
As of December 31, 2018	\$ (7,194)	\$ (748)	\$ (74,177)	\$ 3	\$ 86	\$ 37,934	\$ (44,096)	\$ 194	\$ (43,902)	
Other	4,096	1,205	(42,527)	—	441	2,761	(34,024)	(178)	(34,202)	
As of December 31 2019	\$ (3,098)	\$ 457	\$ (116,704)	\$ 3	\$ 527	\$ 40,695	\$ (78,120)	\$ 16	\$ (78,104)	

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(1) Hedging Reserves

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows (See note 28).

(2) Fair value reserves

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired.

(3) Reserve relating to actuarial gains and losses

It comprises actuarial gains or losses on defined benefit plans and post-retirement medical benefits recognized in other comprehensive income.

(4) Income tax on other comprehensive income

Whenever an item of other comprehensive income gives rise to a temporary difference, a deferred income tax asset or liability is recognized directly in other comprehensive income

(5) Revaluation of administrative property

Revaluation of administrative property is related to the revaluation of administrative buildings and property in Colombia, Costa Rica, and El Salvador. The revaluation reserve is adjusted for increases or decreases in fair values of such property.

The following provides an analysis of items presented net in the statement of consolidated statement of comprehensive income which have been subject to reclassification, without considering items remaining in OCI which are never reclassified to profit of loss:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash flow hedges:		
Reclassification during the year to profit or loss	\$4,152	\$ (4,481)
Effective valuation of cash flow hedged	<u>(3,678)</u>	<u>8,413</u>
	<u>\$ 474</u>	<u>\$ 3,932</u>
Fair value reserves:		
Valuations of investments in fair value with changes in OCI	<u>\$ 503</u>	<u>\$ 1,205</u>
	<u>\$ 503</u>	<u>\$ 1,205</u>

(25) Non-controlling interest

The information related to each of the subsidiaries of the Group that has material NCI as of December 31, 2020 is summarized below:

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	Taca International Airlines S.A.	Avianca Costa Rica S.A.	Other individually subsidiaries	Total
Percentage non-controlling interest	3,17%	7,58%		
Current assets	\$ 152,300	\$ 43,954	\$ 294,413	\$ 490,667
Non-current assets	405,380	53,669	3,494,626	3,953,675
Current liabilities	(365,984)	(24,026)	(2,566,719)	(2,956,729)
Non-current liabilities	(179,468)	(3,760)	(1,317,552)	(1,500,780)
Net assets	12,228	69,837	(95,232)	(13,167)
Net profit (loss)	(4,592)	(3,095)	487	(7,200)
Other comprehensive income	\$ (307)	\$ (1,141)	\$ 2,035	\$ 587

The information related to each of the subsidiaries of the Group that has material NCI as of December 31, 2019 is summarized below:

	LifeMiles Ltd.	Taca International Airlines S.A.	Avianca Costa Rica S.A.	Other individually subsidiaries	Total
Percentage non-controlling interest	30.00%	3.17%	7.58%		
Current assets	\$ 52,807	\$ 30,762	\$ 28,747	\$ 7,274	\$ 119,590
Non-current assets	20,168	14,113	5,470	5,345	45,096
Current liabilities	(94,047)	(18,421)	(34,584)	(5,492)	(152,544)
Non-current liabilities	(172,582)	(37,848)	(806)	(3,072)	(214,308)
Net assets	(193,654)	(11,394)	(1,173)	4,055	(202,166)
Net profit (loss)	26,829	(3,524)	(4,066)	478	19,717
Other comprehensive income	\$ (163)	\$ 7	\$ (25)	\$ 3	\$ (178)

Acquisition of Non-Controlling Interest

In October 2020, the Group acquired an additional 19.9% interest in LifeMiles, increasing its stake from 70% to 89.9%; additionally, it signed a purchase option to acquire the remaining 10.1% of LifeMiles shares. The acquisition was carried out through DIP financing and \$26,500 in cash. In accordance with the high probability of exercising the option by the group, an anticipated purchase was recognized for accounting purposes, increasing the stake from 89.9% to 100%. AV Loyalty (Cayman) Limited legally holds its 10.1% stake in LifeMiles ordinary shares.

The book value of LifeMiles' equity (deficit) in the group's consolidated financial statements was \$ (652,040)

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Book value of the acquired non-controlling interest (\$652,040*30%)	\$(195,612)
Consideration paid of acquired non-controlling interest	<u>(200,000)</u>
Increase in accumulated losses attributable to the Group	<u>\$(395,612)</u>

Due to this transaction, there was an increase in accumulated losses in equity attributable to the group for \$395,612.

(26) Losses per share

The calculation of basic loss per share at December 31, 2020 and 2019 is as follows:

	Total December 31, 2020	Total December 31, 2019	Total December 31, 2018
Net loss attributable to Avianca Holdings S.A.	<u>\$ (1,086,935)</u>	<u>\$ (913,712)</u>	<u>\$ (24,803)</u>

Weighted average number of shares*(in thousands of shares)*

Common stock	660,800	660,800	660,800
Preferred stock	336,187	336,187	336,187

Losses per share (1)

Common stock	\$(1.09)	\$ (0.92)	\$ (0.03)
Preferred stock	\$(1.09)	\$ (0.92)	\$ (0.03)

(1) Expressed in dollars.

There are no interests in convertible preferred shares.

(27) Operating revenue

The Group had no major customers which represented more than 10% of revenues in 2020 and 2019. The Group tracks its segmented gross revenue information by type of service provided and by region, as follows:

By type of service provided

	Year ended December 31, 2020	Percentage	Year ended December 31, 2019	Percentage	Year on Year Variation
Domestic					
Passenger	511,839	30%	\$ 2,000,222	43%	(1,488,383)
Cargo	<u>294,312</u>	<u>17%</u>	<u>285,802</u>	<u>6%</u>	<u>8,510</u>
	<u>806,151</u>	<u>47%</u>	<u>2,286,024</u>	<u>49%</u>	<u>(1,479,873)</u>
International					
Passenger	492,144	29%	1,904,542	41%	(1,412,398)
Cargo	<u>278,302</u>	<u>16%</u>	<u>282,576</u>	<u>6%</u>	<u>(4,274)</u>
	<u>770,446</u>	<u>45%</u>	<u>2,187,118</u>	<u>47%</u>	<u>(1,416,672)</u>

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	Year ended December 31, 2019	Percentage	Year ended December 31, 2018	Percentage	Year on Year Variation
Other (1)	134,988	8%	148,354	4%	(13,366)
Total operating	1,711,585	100%	\$ 4,621,496	100%	(2,909,911)
Domestic					
Passenger	\$ 2,000,222	43%	\$ 2,001,825	41%	(1,603)
Cargo and mail	285,802	6%	303,343	6%	(17,541)
	2,286,024	49%	2,305,168	47%	(19,144)
International					
Passenger	1,904,542	41%	2,072,566	42%	(168,024)
Cargo and mail	282,576	6%	315,433	7%	(32,857)
	2,187,118	47%	2,387,999	49%	(200,881)
Other (1)	148,354	4%	197,663	4%	(49,309)
Total operating revenues	\$ 4,621,496	100%	\$ 4,890,830	100%	(269,334)

Other operating income

Other operating revenue for the years ended December 31, 2020, 2019 and 2018 is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Frequent flyer program	\$ 48,207	\$ 40,794	\$ 46,376
Ground operations (a)	6,032	18,448	23,592
Leases	619	11,590	22,610
Maintenance	10,350	8,162	58,032
Interline	742	2,087	2,025
Other (b)	69,038	67,273	45,028
	\$ 134,988	\$ 148,354	\$ 197,663

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

(b) Corresponds mainly to income from penalties, distribution of dividends received, additional services and the amortization of sale and leaseback.

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The following table provides information on accounts receivable, assets and liabilities of contracts with customers:

	<u>Notes</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Net of accounts receivable	9	\$ 130,009	\$ 215,673
Prepaid compensation customers	12	1,870	13,768
Air traffic responsibility	22	(399,184)	(337,363)
Deferred frequent flyer income	22	(452,815)	\$ (417,632)

(28) Derivatives recognized as hedging instruments

Financial instruments recognized as hedging instruments at fair value through other comprehensive income as of December 31, 2020 and 2019, are the following:

	<u>Note</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash flow hedges - assets			
Fuel price		\$ —	\$ 525
Interest rate		—	11
Total		\$ —	\$ 536
Cash flow hedges - liabilities			
Interest rate	23	\$ 2,697	\$ 1,241
Total		\$ 2,697	\$ 1,241

The notional value of derivatives recognized as hedging instruments for the period ended December 31, 2019, is equivalent to 6,792,000 gallons of jet fuel for aircraft. As of December 31, 2020, the Group does not have fuel price hedges.

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 hedges liabilities are recognized within other liabilities in the consolidated statement of financial position.

The Group purchases jet fuel on an ongoing basis as its operating activities require a continuous supply of this commodity. The increased volatility in jet fuel prices has led the Group to the decision to enter into commodity contracts. These contracts are expected to reduce the volatility attributable to fluctuations in jet fuel prices for highly probable forecast jet fuel purchases, in accordance with the risk management strategy outlined by the Board of Directors. The contracts are intended to hedge the volatility of the jet fuel prices for a period between three and twelve months based on existing purchase agreements.

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The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur, and the fair values of the related hedging instruments to December 31, 2020 and December 31, 2019:

December 31, 2020	Fair Value	1-12 months	12-24 months
Fuel price			
Liabilities	\$ 2,697	\$ –	\$ 2,697
December 31, 2019	Fair Value	1-12 months	12-24 months
Fuel price			
Assets	\$ 525	\$ 525	\$ –
Interest rate			
Assets	11	–	11
Liabilities	\$ 1,241	\$ –	\$ 1,241

The terms of the cash flow hedging contracts have been negotiated for the expected highly probable forecast transactions to which hedge accounting has been applied. As of December 31, 2020, 2019 and 2018, a net (loss)/gain relating to the hedging instruments of 474, \$3,932 and \$(13,701) respectively is included in other comprehensive income (See note 24).

(29) Derivative financial instruments

Derivative financial instruments at fair value through profit or loss as of December 31, 2020 and December 31, 2019 are the following:

	Notes	December 31, 2020	December 31, 2019
Derivatives not designated as hedges - liabilities			
Derivative contracts of interest rate	23	\$ –	\$ 48
Total		\$ –	\$ 48

Financial instruments to fair value financial instruments to fair value without effect in other comprehensive income are derivative contracts not designated as hedges instruments for accounting purposes that are intended to reduce the levels of risk of foreign currency and interest rates.

Liabilities on derivatives not designated as hedges are recognized within other liabilities in the consolidated statement of financial position.

Foreign currency risk

Certain foreign currency forward contracts are measured at fair value through profit or loss and are not designated as hedging instruments for accounting purposes. The foreign currency forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign currency forward rates.

Interest rate risk

The Group incurs interest rate risk primarily on financial obligations to banks and aircraft lessors. Certain financial derivative instruments are recognized at fair value through profit or loss and are not

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designated as hedging instruments for accounting purposes. The interest rate contracts vary according to the level of expected interest payable and changes in interest rates of financial obligations. Interest rate risk is managed through a mix of fixed and floating rates on loans and lease agreements, combined with interest rate swaps and options. Under these agreements, the Group pays a fixed rate and receives a variable rate.

(30) Offsetting of Financial Instruments

The Group has derivative instruments that could meet the offsetting criteria in paragraph 42 of IAS 32 given that the Group has signed with its counterparties enforceable master netting arrangements. Consequently, when derivatives signed with the same counterparty and for the same type of notional result in gross assets and liabilities, the positions are set off resulting in the presentation of a net derivative. As of December 31, 2020, and 2019, the Group has not set off derivative instruments because it has not had gross assets and liabilities with the same counterparty for the same type of notional.

(31) Fair value measurements

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2020:

Quantitative disclosures of fair value measurement hierarchy for assets:

Assets measured at fair value	Quoted prices in active markets (Level 1)	Fair value measurement using		Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments	\$ —	\$ 42,919	\$ —	\$ 42,919
Assets of the benefits plan	\$ —	\$ 216,548	\$ —	\$ 216,548
Assets held for sale (1)	\$ —	\$ 884	\$ —	\$ 884
Revalued administrative property (note 14)	\$ —	\$ —	\$ 110,931	\$ 110,931

(1) Assets held for sale don't including sales costs associated.

Quantitative disclosures of fair value measurement hierarchy for liabilities:

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Liabilities measured at fair value	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Interest rate derivatives (notes 28 and 29)	\$ —	\$ 2,697	\$ —	\$ 2,697
Liabilities for which fair values are disclosed				
Short-term borrowings and long-term debt	\$ —	\$ 6,275,788	\$ —	\$ 6,275,788

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2019:

Quantitative disclosures of fair value measurement hierarchy for assets:

Assets measured at fair value	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Derivative financial assets (note 28 and 29)				
Aircraft fuel hedges	\$ —	\$ 525	\$ —	\$ 525
Interest rate derivatives	—	11	—	11
Investments	—	55,440	—	55,440
Assets of the benefits plan	—	204,527	—	204,527
Assets held for sale (1)	—	694,336	—	694,336
Revalued administrative property (note 14)	\$ —	\$ —	\$ 111,112	\$ 111,112

(1) Assets held for sale don't including sales costs associated.

Quantitative disclosures of fair value measurement hierarchy for liabilities:

Liabilities measured at fair value	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Interest rate derivatives (notes 28 and 29)	\$ —	\$ 1,289	\$ —	\$ 1,289
Liabilities for which fair values are disclosed				

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Liabilities measured at fair value	Quoted prices in active markets (Level 1)	Fair value measurement using Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-term borrowings and long-term debt	\$ —	\$ 5,454,688	\$ —	\$ 5,454,688

Fair values hierarchy

The table below analyses financial instruments carried at fair value by valuation method. 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; or
- Level 3** inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings, Derivatives valued using valuation techniques with market observable inputs are mainly interest rate contracts, foreign currency forward contracts and commodity contracts, The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations, The models incorporate various inputs including the credit quality of counterparties, foreign currency spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.
- (c) The Group uses the revaluation model to measure its land and buildings which are composed of administrative properties, Management determined that this constitutes one class of asset under IAS 16, based on the nature, characteristics and risks of the property, The fair values of the properties were determined by using market comparable methods, This means that valuations performed by the appraisals are based on active market prices, adjusted for difference in the nature, location or condition of the specific property, The Group engaged accredited independent appraisals, to determine the fair value of its land and buildings.

(32) Income tax expense and other taxes

Assets and liabilities for taxes as of December 31, 2020 and December 31, 2019 are as follows:

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	December 31, 2020	December 31, 2019
Current income tax – assets	\$ 44,681	\$ 99,973
Other current taxes		
Current VAT – assets	36,403	90,955
Other taxes current	30,701	7,791
Total other current taxes	67,104	98,746
Total current tax – assets	\$ 111,785	\$ 198,719
Non-current income tax – assets	–	1
Total tax - assets	\$ 111,785	\$ 198,720
Current income tax - liabilities	(\$ 54,863)	\$ (26,421)

Components of income tax expense

Income tax expense for the periods ended December 31, 2020, 2019 and 2018 comprises the following:

Consolidated statement of comprehensive income.

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Current income tax:			
Current income tax charge	\$ 53,109	\$ 25,171	\$ 24,208
Changes in estimates related to prior years	(3,731)	1,304	2,943
Deferred tax expense:			
Relating to origination and reversal of temporary differences	53	(2,492)	(6,938)
Income tax expense reported in the income statement	\$ 49,431	\$ 23,983	\$ 20,213

a) Reconciliation of the Tax Rate in accordance with the Tax Provisions and the Effective Rate:**Standards in other countries**

Subsidiary companies in Ecuador must pay a capital gains tax at a 28% rate. For subsidiaries in Costa Rica, México and Salvador, the rate is 30%, in Guatemala the rate is 25%.

Standards in Colombia***Income tax recognized in income***

In 2019, the National Government issued Law 2010 in accordance with the objectives on the matter promoted by Law 1943 of 2018, however, it presents the following modifications:

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Income tax rate for taxable year 2020 and following:

Year	General Rate*	Rate Applicable to Financial Entities**
2020	32%	36%
2021	31%	34%
2022 and next	30%	33%

Applicable rate for national companies, permanent establishments and foreign entities.

** Rate applicable to financial entities with taxable income equal to or greater than 120,000 UVT, as provided in paragraph 7 included in article 240 of the Tax Statute.

Presumptive income tax

On the other hand, it reduces for the year 2020, the applicable rate for the purposes of calculating income tax under the presumptive income system, which will be 0.5% of the taxpayer's net worth of the immediately previous year. From the year 2021 the applicable rate will be 0%.

Dividend Tax

The rate is reduced from 15% to 10% for resident natural persons, illiquid inheritance. also, the rate is increased from 7.5% to 10% for non-resident natural and legal persons and permanent establishments. The withholding applicable to national companies remains at the rate of 7.5%.

Equity tax

For the taxable years 2020 and 2021, the wealth tax is maintained, for natural persons, resident illiquid successions and non-resident natural and legal persons.

Fifty percent (50%) of the equity value of the assets subject to the complementary tax of tax normalization that have been declared in the taxable period 2020 and that have been repatriated to Colombia and invested with vocation was added to the taxable base of the tax. of permanence in the country, in accordance with the standardization tax provided for in this Law.

Normalization Tax

The new tax normalization tax is created for the year 2020, complementary to the income tax and the wealth tax, in charge of the taxpayers of the income tax or substitute income tax regimes that have omitted assets or liabilities non-existent as of January 1, 2020. The applicable rate for this taxable period is 15% and the independent return had to be presented until September 25, 2020, which does not allow correction or extemporaneous presentation, as in 2019 the base Taxable may be reduced to 50% when the taxpayer repatriated normalized assets from abroad and invests them with a vocation to remain in the country for a period of no less than two years as of January 1, 2021.

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Other aspects.

Transfer Pricing

Income tax payers who carry out operations with related parties or related parties abroad are obliged to determine, for income tax purposes, their ordinary and extraordinary income, their costs and deductions, their assets and liabilities, considering for these operations the prices and profit margins that would have been used in comparable operations with or between economically unrelated operations.

Independent advisors advance the update of the transfer pricing study, required by tax provisions, tending to demonstrate that the operations with foreign economic associates were carried out at market values during 2020. For this purpose, the Company will present an informative statement and will have available the referred study for the end of July 2021. Failure to comply with the transfer pricing regime may lead to financial penalties and a higher income tax; However, the Administration and its advisers are of the opinion that the study will be concluded in a timely manner and will not result in significant changes to the base used for the determination of the 2020 income tax provision.

Audit benefit

Law 1943 of 2018 established that taxpayers who for the taxable year 2019 and 2020 in their private liquidation of income and complementary taxes increase the net income tax by at least a minimum percentage of 30%, in relation to the Net income tax for the immediately preceding year, your return will be final within six (6) months from the date of its presentation if no notice of a summons to correct or special requirement or special summons or provisional liquidation has been notified and, provided that the declaration is presented in a timely manner and the payment is made within the established deadlines.

However, if the increase in the net income tax is at least 20%, in relation to the net income tax of the immediately previous year, the return will be final within twelve (12) months following the presentation of the statement if no notice has been notified to correct or special requirement or special location or provisional settlement and the statement is always submitted in a timely manner and payment is made within the established deadlines.

The above benefit does not apply to: (i) taxpayers who enjoy tax benefits due to their location in a specific geographic area; (ii) when it is shown that declared withholdings at source are non-existent; (iii) when the net income tax is less than 71 UVT (2020 is equivalent to \$ 2,528,097). The term provided in this rule does not extend for withholding tax returns or for sales tax, which will be governed by the general rules.

Tax Procedure.

The audit benefit applicable to the taxable year 2019 is extended to the taxable years 2020 and 2021.

The term of firmness applicable to declarations in which tax losses are offset or generated is reduced to five years and compared to the years in which it is obliged to comply with the transfer pricing regime.

The term for voluntarily correcting tax returns in which the balance in favor is decreased or the amount to be paid increases is extended to three years.

Firmness of Income Tax and Complementary Tax Returns

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Before the issuance of Law 1819 of 2016, article 714 of the Tax Statute established the following firmness terms:

to. General firmness: 2 years following the expiration date of the term to declare.

b. Late filing: 2 years following the filing date of the return.

c. Balance in favor: when the return presents a balance in favor of the taxpayer, it will be final within 2 years after the date of submission of the request for refund or compensation.

As of the year 2017 and with the entry into force of Law 1819 of 2016, the general term of firmness of tax returns is 3 years from the date of their expiration or from the date of their presentation, when these have been submitted extemporaneously. The firm term is 6 years when there are transfer pricing obligations.

Regarding those declarations in which favorable balances are presented, the firm term is 3 years, from the date of the presentation of the request for refund or compensation.

Regarding those tax returns in which tax losses are offset, the firmness corresponds to the same term that the taxpayer has to offset it, that is, 12 years. This term extends from the date of compensation for 3 more years in relation to the statement in which said loss was settled.

As of the year 2020, with the entry into force of the 2010 law of 2019, those tax returns in which tax losses are offset, the firmness corresponds to five years

As of 2019 and with the entry into force of Law 1943 of 2018, the extension of the firmness of 3 additional years for compensation of tax losses is eliminated.

As of the year 2020, with the entry into force of the 2010 law of 2019, those tax returns in which tax losses are offset, the firmness corresponds to five years

As of 2019 and with the entry into force of Law 1943 of 2018, the extension of the firmness of 3 additional years for compensation of tax losses is eliminated.

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

The consolidated loss before income tax amounted to \$1,047,597 in 2020 and \$870,012 in 2019, and the income tax expense amounted to \$50,813 in 2020 and \$23,983 in 2019. The effective tax rate in 2020 was (4,85%) and (2,76%) in 2019. The corporate income tax rate in 2020 was 32% and 33% in 2019. The differences between the corporate income tax rate and effective tax rate are generated by subsidiaries with net losses in some jurisdictions where is not recognized deferred tax assets due to it is not probable that taxable profits will be available against which the deductible temporary differences can be utilized.

The consolidated income tax expense corresponds mainly to Tampa Cargo S.A.S for \$ 37 million in Colombia.

(b) Deferred Taxes with Respect to Subsidiary Companies:

During the year ended December 31, 2020 Avianca S.A. and Tampa Cargo S.A.S. are the dominant companies in their subsidiaries, which can control the future moment in which the temporary differences related to their investments will be reversed and additionally these are not expected to reverse in the foreseeable future. Consequently, and in accordance with the exception allowed by paragraphs 39 and 44 of IAS 12, deferred tax liabilities for US \$ 99 million were not recognized as of December 31, 2020, for the year 2019 this figure is US \$ 71 million.

(c) Deferred Tax Unrecognized Assets on Tax Credits:

As of December 31, 2020 and 2019, the following is the detail of the tax losses and excess presumptive income of the Company that have not been used and on which no active deferred tax has been recognized:

Tax losses originated in the year:

2017	\$ 87,569
2018	86,630
2019	51,849
2020	27,201
Total:	\$ 253,249

Excess of presumptive income originated in the year:

Year 2017	\$ 1,250
Year 2018	340
Total:	\$ 1,590

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The Group has deferred tax asset corresponding to the aforementioned tax losses for \$76 millions. However, according to the Company's financial projections no tax income will be generated for the next 3 years to allow the compensation of the deferred tax assets. Therefore, said deferred tax assets has only been recognized by an amount up to the concurrence of deferred tax liabilities, according with accounting standards.

d) Deferred tax by type of temporary difference:

The differences between the carrying value of assets and liabilities and the tax bases, lead to temporary differences that generate deferred taxes, calculated and registered in the periods December 31, 2020 and 2019 applying the tax rate for the taxable year in which those temporary differences will be reversed.

Below is an analysis of the deferred tax assets and liabilities of the Group:

Consolidated statement of financial position

	December 31, 2020	December 31, 2019	Variation
Assets (liabilities)			
Accounts payable	\$ 461	\$39,904	\$ (39,443)
Aircraft maintenance	909	(3,691)	4,600
Pension liabilities	10,477	10,599	(122)
Provisions	96,151	24,330	71,821
Loss carry forwards	—	5,333	(5,333)
Unrecognized deferred tax asset	(43,099)	—	(43,099)
Non-monetary items	(51,621)	(36,626)	(14,995)
Intangible assets	(304)	1,159	(1,463)
Other	(1,660)	(32,313)	30,653
Net deferred tax assets / (liabilities)	\$ 11,314	\$ 8,695	\$ 2,619

Reflected in the statement of financial position as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets	\$ 25,236	\$ 27,166
Deferred tax liabilities	(13,922)	(18,471)
Deferred tax assets (liabilities) net	\$ 11,314	\$ 8,695

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Notes to Consolidated Financial Statements**(In USD thousands)****Reconciliation of deferred tax assets net**

	December 31, 2020	December 31, 2019
Opening balance as of January 1,	\$8,695	\$ 6,136
Tax income during the period recognized in profit or loss	(53)	2,492
Tax income during the period recognized in other comprehensive income	(818)	441
Exchange differences	3,490	(374)
Closing balance as of December 31	\$ 11,314	\$ 8,695

e) Effect of deferred tax on each component of the other comprehensive income account:

The following summarizes the effects of deferred tax on each component of the other comprehensive income account:

Separate Statement of Other Comprehensive Income	December 31, 2020	December 31, 2019	December 31, 2018
Reserves related to actuarial gains and losses	\$ (818)	\$ 441	\$ (39)
Income tax recorded directly in other comprehensive income	\$ (818)	\$ 441	\$ (39)

(33) Provisions for legal claims

As of December 31, 2020, and 2019 the Group is involved in different lawsuits and legal actions that arise in the development of commercial activities.

The changes in provisions for litigation as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Balances at the beginning of the period	\$ 20,244	\$ 7,809
Provisions constituted	11,215	21,208
Provisions reverse	(3,660)	(6,537)
Provisions used	(453)	(2,236)
Deconsolidation subsidiary AV Perú	(4,032)	—
Balances at the end of the period	\$ 23,314	\$ 20,244

Among the provisions for litigation are those related to labor processes (December 31, 2020: \$13,329, December 2019: \$6,413), consumer protection processes (December 31, 2020: \$2,620, December 2019: \$4,101) and civil processes (December 31, 2020: \$771, December 2019: \$766).

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Certain proceedings are considered possible obligations. Based on the plaintiffs' claims, as of December 31, 2020 and December 31, 2019, these contingencies amount to a total of \$138,357 and \$206,382 respectively. Certain losses which may result from those proceedings will be covered either by insurance companies or with funds provided by third parties. The proceedings that will be settled using the aforementioned forms of payment are estimated \$21,242 as of December 31, 2020 and \$28,174 as of December 31, 2019.

In accordance with IAS 37, the legal claims that the Group considers representing a remote risk are not contemplated in the consolidated financial statements.

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

In August 2019, the Group disclosed that it had discovered a business practice at the Group whereby Group employees, including members of senior management, as well as certain members of the board of directors, provided "things of value," which based on its current understanding have been limited to free and discounted airline tickets and upgrades, to government employees in certain countries. The Group commenced an internal investigation, supervised by the Audit Committee, and retained reputable outside counsel and 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, the Group implemented certain revisions to its policies designed to prevent such practice from occurring, including limiting the number of persons at the Group who are authorized to issue free and discounted airline tickets and upgrades, and requiring additional internal approvals. On August 13, 2019, the Group voluntarily disclosed this investigation to both the U.S. Department of Justice and the SEC, and, subsequently, to the Colombian Financial Superintendence.

Also, in February 2020, the Office of the Attorney General of Colombia served Avianca with a search warrant of its offices with the objective of collecting information related to this investigation. As has been its practice, Avianca has cooperated and will continue to cooperate with all pertinent authorities, Avianca will provide the information being requested to the Office of the Attorney General of Colombia, while exercising its legal rights to ensure that its confidential and privileged information remains protected.

The U.S. and Colombian government inquiries described above, related inquiries and developments in other countries, and the Group's internal investigations are continuing. Any action in these or related inquiries, proceedings or other developments, or any agreement the Group enters into to settle the same, may result in substantial fines, reputational harm and other sanctions and adverse consequences. Based upon the opinion of its outside counsel, the Group believes that there is no adequate basis at this time for estimating accruals or quantifying any contingency with respect to these matters.

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

In January 2020, our primary aircraft supplier Airbus 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 this development, we have voluntarily initiated an internal investigation to analyze our commercial relationship with Airbus and to determine if we have been the victim of any improper or illegal acts. We have disclosed this internal investigation to the U.S. Department of Justice and the SEC, as well as the Superintendence of Industry and Commerce and the Colombian Office of the

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Attorney General, We are cooperating with all agencies, Our internal investigations are not complete and we cannot predict the outcome of these internal investigations or what potential actions may be taken by the U.S. Department of Justice, the SEC or local regulators or officials, If it is found that these business practices violated the FCPA or other similar laws applicable to us, or we were at any time not in compliance with any other laws governing the conduct of our business, we could be subject to criminal and civil remedies, including sanctions, monetary penalties and regulatory actions, which could materially and adversely affect us, The Office of the Attorney General of the Nation in Colombia has authorized us to act as potential victims of these events, and as such we have been participating.

Review of potential inadvertent violations of the U.S. Cuban Assets Control Regulations

In September 2019, the Group disclosed that it had become aware that it had become subject to U.S. jurisdiction for purposes of certain U.S. sanctions laws and regulations administered by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury. This jurisdictional nexus was established as a result of the transfer, on November 9, 2018, by the Group's parent company, Synergy Aerospace Corp, (Synergy), of approximately 78% of the Group's voting common shares (Share Transfer) from a Panama based company to a Delaware limited liability company wholly-owned by Synergy (BRW). Synergy had formed BRW and effected the Share Transfer unilaterally in connection with BRW obtaining a loan from United Airlines. Having become aware that as a consequence of the ownership change the Group is considered a person subject to U.S. jurisdiction under certain of OFAC's sanctions programs, the Group engaged outside counsel to conduct a review aimed at identifying any potential violations of U.S. sanctions regulations. As a result of this review, the Group identified that the regularly scheduled commercial passenger flights between cities in Central and South America and Havana, Cuba and related Cuba operations that it has historically conducted may have constituted inadvertent violations of the U.S. Cuban Assets Control Regulations (CACR) during the period following the Share Transfer. During the period beginning on the date of the Share Transfer and ending on September 30, 2019, such flights to and from Havana, Cuba comprised an inconsequential amount of the Group's gross revenues. On September 25, 2019, the Group submitted to OFAC a preliminary voluntary self-disclosure addressing such potential inadvertent violations, followed by more detailed full narrative voluntary self-disclosures submitted on October 4, 2019, and November 25, 2019. OFAC is currently reviewing these voluntary self-disclosures. In concert with these voluntary disclosures, the Group commenced the termination of all of its Cuba-related activities. As of to date of issuance of these consolidated financial statements, the Group no longer operates any flights to Cuba, nor does the Group sell any passenger or cargo tickets involving Cuba (including via its codeshare and interline partners). The Group no longer maintains a physical presence in Cuba and has issued termination notices for all of its legacy Cuba-related contracts and employees (for example, ground services, ticket sales, and other services in Cuba that supported the Company's now-terminated Cuba passenger flights). The Group has kept OFAC apprised of these actions and remains in communication with OFAC concerning the Group's voluntary self-disclosures and the termination of the Company's Cuba-related activities. Based on the above, the Group believes that there is no adequate basis at this time for estimating accruals or quantifying any contingency with respect to these matters.

In light of the above, the Group has embarked on a comprehensive effort to improve and expand its compliance program worldwide, including enhancements to the Group's existing sanctions screening processes, implementation of a comprehensive sanctions compliance program, and sanctions training for key Group employees.

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Notes to Consolidated Financial Statements**(In USD thousands)****(34) Future aircraft leases payments**

The Group has 75 aircraft that are under financial leasing. The following is the summary of future financial lease commitments:

	<u>Aircraft</u>
Less than one year (1)	<u>\$ 1,882,826</u>
	<u><u>\$ 1,882,826</u></u>

(1) It corresponds to financial leases that were in default before Chapter 11 and therefore all debt is short-term.

The Group has 62 aircraft that are under operating leases, which have an average remaining lease term of 59 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:

	<u>Aircraft</u>
Less than one year(1)	<u>\$ 274,167</u>
Between one and five years	824,391
More than five years	282,474
	<u><u>\$ 1,381,032</u></u>

In the first quarter of 2020, the Group terminated the lease agreements of two (2) Embraer E-190s with Aerolitoral, S.A. de C.V. and ended the wet lease agreement of one (1) A330. During the period, nine (9) A320s were converted from finance lease to operating lease through a sale and lease back transaction and ten (10) E190s and two (2) A300Fs were sold.

In June 2020, the Group terminated operating leases on two (2) A319s and two (2) A320s and finance leases on two (2) A321s, two (2) A330s and four (4) ATR72s.

Future operating lease commitments are calculated under the assumption that the aircraft will be in continuous operation. However, the amounts may vary depending on the aircraft operating plan during the Chapter 11 reorganization process, in which the Group agreed with the aircraft lessors on a variable "Power-by-the-Hour" compensation structure based on flight hours.

The Group has 9 spare engines under an operating lease contract for its aircraft fleet of the E190 and A320 families. The following is the summary of the future commitments of operating leases:

	<u>Engines</u>
Less than one year	<u>\$ 4,789</u>
Between one and five years	17,856
More than five years	701

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As of December 31, 2020, the Group rejected under Chapter 11 leases for three (3) engines with future commitments, of which two (2) engines are from the A320 fleet and one (1) engine is from the E190 Fleet. At the end of 2020, the termination documents for these leases were in the process of being signed, which would formalize the departure of the engines from Avianca Holdings S.A. fleet.

In the fourth quarter of 2020, the return of two (2) TRENT 772 engines supplied by the workshop to cover removals for repairs is legalized and five (5) CFM56-5B4/P engines are incorporated under operating leases for a term of 1 year.

Future operating lease commitments are calculated under the assumption that the engines will be operating continuously. However, amounts may vary depending on the engine operating plan during the Chapter 11 reorganization process, in which the Group agreed with the engine lessors on a variable "Power-by-the-Hour" compensation structure based on flight hours.

During the year ended December 31, 2020, 16 A320, 4 A321 and 2 A330 operating leases were extended, 3 A320neo were added to the fleet under operating leases, 1 A300F was destroyed (due to damage), 1 A300F was acquired, 10 A318 and 2 A320 finance leases and 2 owned A320s were sold. A lease agreement for 1 B787-9 was also signed during 2019.

The value of payments recognized as expenses in the period is:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Leases minimum payments	\$1,603	\$ 11,762

(35) Acquisition of aircraft

In accordance with the agreements in effect, future commitments related to the acquisition of aircraft and engines as of December 31, 2020, as follows:

	<u>Less than one year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Aircraft and engine purchase commitments	\$ 21,175	\$ 126,212	\$ 1,629,460	\$ 3,917,096	\$ 5,693,943

Current prices disclosed reflect certain discounts negotiated with suppliers as of the date of the consolidated statement of financial position, which are calculated on a highly technical basis and are subject to multiple conditions and constant variations. Among the factors that may affect discounts are changes in our purchase agreements, including aircraft order volumes.

At the end of 2019, with the reorganization of the company, the aircraft contract with Airbus was renegotiated, where the delivery dates were postponed and some aircraft cancellations were made, leaving the order for 88 aircraft, with the first one arriving in 2025. Additionally, negotiations with Boeing resulted in

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the remaining two 787-9 aircraft arriving in 2024. Subsequently, with the arrival of the COVID-19 and the entry into Chapter 11, the receipt of a Spare engine that had been purchased from CFM and future acquisitions were put on hold due to the situation. For this reason, we are waiting to see what will happen with the three manufacturers and their respective contracts while the figures to achieve the ideal fleet in the short, medium and long term are being finalized, so these contracts will have to be negotiated according to what is most convenient for the company in terms of profitability and the current situation of the aeronautical sector.

(36) Dividends

The Group did not decree or pay dividends during ended December 31, 2020, based on the retained earnings as of December 31, 2019, and dividends were decreed by the Group during ended December 31, 2019, based on retained earnings as of December 31, 2018:

	December 31, 2020	December 31, 2019
Dividends decreed		
Dividend - Ordinary shared	\$ —	\$ 9,862
Dividend - Preferred shared		5,523
Total	\$ —	\$ 15,385

The General Shareholders Meeting of Avianca Holdings S.A. at an ordinary session on March 22, 2019, agreed distribution of profits for the year 2018 as dividend to the shareholders preferent and ordinary of the Group that will be paid the amount of COP\$50 (Preferred shared) and COP\$46 (Ordinary shared) per share, respectively. The dividends decreed were paid on May 24, 2019 by the amount of COP\$16 and COP\$3 per share, August 23, 2019 COP\$16 and COP\$3 per share and September 20, 2019 COP\$18 and COP\$40 per share, respectively.

The decree of dividends was made with a TRM of COP \$3,082.45. The payment of the dividends was made to the corresponding TRM on the date on which the transaction was made.

Dividends paid to minority shareholding

During the year ended December 31, 2019, LifeMiles Ltd. paid dividends for \$36 million. In 2020, there are not payments of dividends.

(37) Debt covenants

As of December 31, 2020, Avianca Holdings S.A. was party to a long-term loan agreement ("DIP Credit Agreement") pursuant to which Avianca Holdings S.A.'s Maximum Cumulative Cash Burn as of such date was \$395,400 Avianca Holdings S.A.'s actual cumulative cash burn as of December 31, 2020 was of \$140,901.

(38) Special Charges

As of December 31, 2020, the Group registers \$66.652 in special charges regarding expenses incurred in relation to the voluntary petitions filed, on May 10, 2020 by Avianca Holdings and certain of its subsidiaries, under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York.

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(39) Subsequent Events

There are no material subsequent events to be disclosed at the date of issuance of this report.
