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

Consolidated Financial Statements
As of December 31, 2022, and 2021, and for the year
ended December 31, 2022, and for the period from September 27, 2021 (Date of incorporation) to
December 31, 2021

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

Index

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INDEPENDENT AUDITORS' REPORT

To the Shareholders
Avianca Group International Limited:

Opinion

We have audited the consolidated financial statements of Avianca Group International Limited and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Colombia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Bogotá D.C., Colombia
April 14, 2023

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

	Notes	December 31, 2022	December 31, 2021, Restated (Note 16)
Assets			
Current assets:			
Cash and cash equivalents	7	$ 777,504	$ 1,201,759
Restricted cash	7	39,212	78,037
Short term investments	7	44,843	42,260
Trade and other receivables, net of expected credit losses	8	233,753	206,246
Current tax assets	28	176,255	162,182
Defined benefit assets, net	21	2,102	—
Expendable spare parts and supplies, net of provision for obsolescence	10	88,578	69,773
Prepayments	11	15,258	24,264
Deposits and other assets	12	36,547	25,852
		1,414,052	**1,810,373**
Assets held for sale	13	26,067	322,890
Total current assets		**1,440,119**	**2,133,263**
Non-current assets:			
Deposits and other assets	12	81,267	37,010
Trade and other receivables, net of expected credit losses	8	2,592	—
Accounts receivable from related parties	9	103,341	—
Intangible assets and goodwill, net	15	2,893,187	2,958,344
Defined benefit assets, net	21	—	14,626
Deferred tax assets	28	27,397	44,112
Property and equipment, net	14	2,671,909	1,539,426
Total non-current assets		**5,779,693**	**4,593,518**
Total assets		**$ 7,219,812**	**$ 6,726,781**

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

	Notes	December 31, 2022		December 31, 2021, Restated (note 16)	
Liabilities and equity					
Current liabilities:					
Short-term borrowings and current portion of long-term debt	17	$	213,043	$	196,761
Accounts payable	18		429,854		528,212
Accounts payable to related parties	9		42		32
Accrued expenses	19		54,577		22,978
Current tax liabilities	28		10,103		53,621
Provision for legal claims	29		47,124		56,278
Provisions for return conditions	20		5,522		—
Employee benefits	21		81,687		89,952
Air traffic liability	22		589,825		522,872
Frequent flyer deferred revenue	22		165,165		146,694
Other liabilities	23		275		1,993
			1,597,217		**1,619,393**
Liabilities associated with the assets held for sale	13		6,465		317,667
Total current liabilities			**1,603,682**		**1,937,060**
Non-current liabilities:					
Long-term debt	17		3,771,792		2,862,430
Provision for return conditions	20		553,986		272,817
Employee benefits	21		40,221		53,092
Deferred tax liabilities	28		155,681		172,946
Frequent flyer deferred revenue	22		289,847		262,118
Other liabilities	23		101		3,416
Total non-current liabilities			4,811,628		3,626,819
Total liabilities		$	**6,415,310**	**$**	**5,563,879**
Equity:					
Common shares	24		4		4
Share premium	24		1,145,962		1,145,962
Retained deficit			(336,066)		(12,561)
Other comprehensive income	24		(21,537)		14,954
Equity attributable to owners of the Company			**788,363**		**1,148,359**
Non-controlling interest (NCI)	25		16,139		14,543
Total equity			**804,502**		**1,162,902**
Total liabilities and equity		**$**	**7,219,812**	**$**	**6,726,781**

See accompanying notes to consolidated financial statements

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

	Notes	For the year ended December 31 2022	For the period from September 27, 2021 (Date of incorporation) to December 31 Restated (note 16) 2021
Operating revenue:			
Passenger		$ 3,132,561	$ 258,683
Cargo and other		915,295	78,120
Total operating revenue	5, 33	**4,047,856**	**336,803**
Operational expenses:			
Flight operations		72,893	6,063
Aircraft fuel		1,479,783	73,642
Ground operations		401,497	41,523
Rentals	30	225,343	38,073
Passenger services		90,695	5,115
Maintenance and repairs		175,042	16,665
Air traffic		171,913	19,118
Selling expenses		326,275	35,792
Salaries, wages, and benefits		440,029	39,510
Fees and other expenses		250,764	38,321
Depreciation, amortization, and impairment	14,15	333,534	17,084
Total operating expenses		**3,967,768**	**330,906**
Operating Profit		**80,088**	**5,897**
Interest expenses		(398,249)	(22,919)
Interest income		14,375	1,144
Other financial income		—	4,433
Foreign exchange, net	6.c	(9,857)	(3,457)
Equity method profit		523	129
Loss before income tax		**(313,120)**	**(14,773)**
Income tax expense – current		(8,830)	(630)
Income tax expense – deferred		1,512	245
Total income tax expense	28	(7,318)	(385)
Net loss for the period from continuing operations		**$ (320,438)**	**$ (15,158)**
Discontinuing operations			
Profit from discontinuing operations	13.1	(1,856)	—
Net loss for the period		**$ (322,294)**	**$ (15,158)**

See accompanying notes to consolidated financial statements

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

	Notes	For the year ended December 31, 2022	For the period from September 27, 2021 (Date of incorporation) to December 31, 2021, Restated (Nota 16)
Net Loss for the period		**$ (322,294)**	**$ (15,158)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss in future periods:	24		
Remeasurements of defined benefit		(30,040)	12,954
Revaluation of administrative property		1,265	—
Income tax		(730)	562
		(29,505)	**13,516**
Items that will be reclassified to profit in future periods:	24		
Effective portion of changes in fair value of hedging instruments		(194)	194
Net change in fair value of financial assets with changes in OCI		(2,019)	(11)
Foreign operations – foreign currency translation differences		(4,388)	—
		(6,601)	**183**
Other comprehensive loss, net of income tax		(36,106)	13,699
Total comprehensive loss net of income tax		**(358,400)**	**(1,459)**
(Loss) attributable to:			
Equity holders of the parent		(323,505)	(12,561)
Non-controlling interest		1,211	(2,597)
Net loss		**$ (322,294)**	**$ (15,158)**
Total comprehensive income attributable to:			
Equity holders of the parent		(359,996)	2,393
Non-controlling interest		1,596	(3,852)
Total comprehensive loss		**$ (358,400)**	**$ (1,459)**

See accompanying notes to consolidated financial statement

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

	Notes	Common shares	Share premium	Equity component of convertible warrants	Other comprehensive income OCI Reserves	Retained deficit	Equity attributable to owners of the Company	Non- controlling interest	Total equity
Opening balance for the Period from September 27, 2021 (Date of incorporation) to December 31, 2021		$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Business combination Restated (Nota 16)		3	918,088	201,450	—	—	1,119,541	18,395	1,137,936
Net loss		—	—	—	—	(12,561)	(12,561)	(2,597)	(15,158)
Other comprehensive income	24	—	—	—	14,954	—	14,954	(1,255)	13,699
Issue of ordinary shares	24	—	26,425	—	—	—	26,425	—	26,425
Exercise of convertible warrants	24	1	201,449	(201,450)	—	—	—	—	—
Balance at December 31, 2021		**$ 4**	**$ 1,145,962**	**$ —**	**$ 14,954**	**$ (12,561)**	**$ 1,148,359**	**$ 14,543**	**$ 1,162,902**
Net loss		—	—	—	—	(323,505)	(323,505)	1,211	(322,294)
Other comprehensive income	24	—	—	—	(36,491)	—	(36,491)	385	(36,106)
Balance at December 31, 2022		**$ 4**	**$ 1,145,962**	$ —	**$ (21,537)**	**$ (336,066)**	**$ 788,363**	**$ 16,139**	**$ 804,502**

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

	Notes	For the year ended December 31 2022	For the period from September 27, 2021 (Date of incorporation) to December 31, 2021, Restated (Nota 16) 2021
Cash flows from operating activities:			
Net loss for the period		**$ (322,294)**	**$ (15,158)**
Adjustments for:			
Provision net of expected credit losses		4,952	3,784
Provision for expandable spare parts and suppliers obsolescence	10	1,959	165
Provisions for legal claims		(2,136)	—
Depreciation, amortization and impairment	14,15	333,534	17,084
Loss on disposal of assets		9,220	—
Interest Income		(14,375)	(1,144)
Interest expense		398,249	22,919
Deferred tax	28	(1,512)	(245)
Current tax	28	8,830	630
Unrealized foreign currency gain		7,614	5,377
Changes in:			
Trade and other receivables		(28,542)	11,483
Expendable spare parts and supplies		(21,919)	(466)
Prepayments		9,246	(16,719)
Net current tax		(28,405)	(711)
Deposits and other assets		(49,032)	(2,716)
Accounts payable and accrued expenses		(29,992)	51,438
Air traffic liability		66,956	(50,106)
Frequent flyer deferred revenue		46,200	(4,147)
Provision for return conditions		(1,955)	(1,241)
Provisions for legal claims		2,006	(1,152)
Employee benefits		(48,270)	(19,080)
Financial Instruments		(14,045)	—
Income tax paid		(69,952)	(3,025)
Net cash provided (used in) by operating activities		**$ 256,337**	**$ (3,030)**
Cash flows from investing activities:			
Cash proceeds from Business Combination		—	1,069,935
Acquisition of property and equipment		(304,338)	(18,924)
Reimbursement of equipment acquisition	14	112,524	—
Interest received of investment in bank deposit		1,721	375
Granted Loans	8,9	(100,300)	—
Acquisition of intangible assets	15	(14,133)	(2,135)
Proceeds from sale of property and equipment		367,146	138,781
Net cash provided by investing activities		**$ 62,620**	**$ 1,188,032**
Cash flows from financing activities:			
Payments of liabilities associated with assets held for sale	13	(317,667)	(169,890)
Interest paid	17	(285,642)	(17,624)
Payment of loans and borrowings	17	(179,461)	—
Issue of common shares		—	200,000
Net cash (used in) provided by financing activities		**$ (782,770)**	**$ 12,486**
Net (Decrease) increase in cash and cash equivalents		(463,813)	1,197,488
Exchange rate effect on cash		733	(144)
Cash and cash equivalents and restricted cash at the beginning of the period		1,279,796	82,452
Cash and cash equivalents and restricted cash		**$ 816,716**	**$ 1,279,796**
Less restricted cash		39,212	78,037
Cash and cash equivalents at the end of the period		**$ 777,504**	**$ 1,201,759**

See accompanying notes to consolidated financial statements

(1) Reporting entity

Avianca Group International Limited ("AGIL" or the "Company") is incorporated and existing under the laws of England and Wales as of September 27, 2021, with its registered office at Avianca Savinvest Arquen House, 4-6 Spicer Street St. Albans, Greater London, AL3 4PQ. United Kingdom. AGIL, together with its subsidiaries, will be referred to as the "Group" for the purposes of this document.

AGIL was incorporated for the purpose of acquiring the business of Avianca Holdings S.A. The acquisition was completed on December 1, 2021, pursuant to the Equity Contribution and Conversion Agreement (the "ECCA") among Avianca Holdings S.A and certain of its subsidiaries as well as a majority of Tranche B lenders of Avianca Holdings S.A. that were party to the Debtor in Possession ("DIP") agreement.

a) Background of entities acquired

Certain subsidiaries of AVN Flight Cayman Limited (acquired entity) were part of the Avianca Holdings S.A. Chapter 11 process. These subsidiaries emerged successfully from Chapter 11 on December 1, 2021 ("Exit date of Chapter 11 - Emergence Date" of Avianca Holdings S.A. and its Affiliated Debtors). The background is as follows.

On May 10, 2020 (and, with respect to certain entities, September 21, 2020), Avianca Holdings S.A. ("AVH") and certain subsidiaries (AVH and some subsidiaries, each, a "Debtor" and, collectively, the "Debtors") commenced cases for voluntary relief under the Bankruptcy Code in the U.S. Bankruptcy Court administered under Case No. 20-11133 (MG). LifeMiles, Avianca's frequent flyer program, was not part of the Chapter 11 filing.

The Debtors filed a plan of reorganization (or the "Plan of Reorganization" as amended and/or supplemented periodically) on August 10, 2021, which provides for, among others:

(a) the conversion of the aggregate Tranche B DIP Obligations amount into equity interests of a new holding company of the reorganized Debtors ("Avianca Group International Limited") in exchange for the forgiveness, extinguishment, termination, cancellation, and repayment in full of the aggregate Tranche B DIP Obligations amount and the termination and release of the guarantees and security interests related thereto (including, under the DIP Credit Agreement, among other documents and agreements),
(b) an equity raises by reorganized AVH in an aggregate amount equal to $200,000 to be funded through cash payments by certain of the Supporting Tranche B Lenders, and
(c) the issuance of certain "exit" notes in full and final settlement of Tranche A-1 DIP Facility Claims and Tranche A-2 DIP Facility Claims (in each case, as defined in the Plan of Reorganization), the transactions (the "Transactions") of which are defined within the Plan of Reorganization.

On November 2, 2021, the Plan of Reorganization (the "Plan") was approved by the Company's creditors and confirmed by the Court, allowing the Company to successfully emerge from Chapter 11.

On December 1, 2021, Avianca Holdings S.A. and its subsidiaries announced that it had successfully completed its financial restructuring process and had emerged from Chapter 11 having completed the precedent conditions including: (i) the Equity Contribution and Conversion Agreement (the "ECCA") entered into by and between AVH, certain of its subsidiaries and the Tranche B financiers, the agreement which was approved by the Court for the Southern District of New York on September 14, 2021, and (ii) the Plan approved by Avianca Holdings S.A. and its subsidiaries' creditors and confirmed by the Court on November 2, 2021.

(a) Significant subsidiaries

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

(In USD thousands)

Subsidiary Name	Country of incorporation	Ownership Interest% 2022	Ownership Interest% 2021
Avianca Ecuador S.A.	Ecuador	99.62%	99.62%
Aerovías del Continente Americano S.A. (Avianca)	Colombia	99.98%	99.98%
Avianca Leasing, LLC	US	100%	100%
Grupo Taca Holdings Limited.	Bahamas	100%	100%
LifeMiles Ltd.	Bermuda	100%	100%
Avianca Costa Rica S.A.	Costa Rica	92.42%	92.42%
Taca International Airlines, S.A.	El Salvador	96.83%	96.83%
Tampa Cargo S.A.S.	Colombia	100%	100%
Regional Express Américas S.A.S.	Colombia	100%	100%
Aero Transporte de Carga Unión, S.A. de C.V.	México	92.70%	92.70%

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

The Group has entered into several bilateral code share alliances with other airlines whereby selected seats on one carrier's flights can be marketed under the brand name and commercial code of the other, thereby expanding travel options for customers globally. Most codeshare alliances typically include joint frequent flyer program participation; reservation coordination, ticketing, passenger check in and baggage handling; passenger and baggage transfer, among others. To date, AGIL airlines have codeshare agreements with the following airlines: 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, GOL Linhas Aéreas Inteligentes, TAP and EasyFly. In addition, Avianca, Taca International, Avianca Ecuador and Avianca Costa Rica (the latter as "Connected Entities" of Avianca and Taca International) have been Star Alliance members since June 2012, providing customers access to those destinations and services offered by the 26 airline members comprising the Star Alliance network, including several of the world's most recognized airlines such as Lufthansa, United Airlines, Thai Airways, Air Canada, TAP, Singapore Airlines, among others.

The Group's Cargo operations are primarily carried out by Tampa Cargo S.A.S. and Aero Transporte de Carga Unión S.A. de C.V. as well as through available space on passenger flights.

The Group also owns and operates LifeMiles (the "Program"), which is also the loyalty program for its subsidiary airlines. The Program operates through LifeMiles Ltd., one of the Group's subsidiaries incorporated in and operating under the laws of Bermuda. The Program's primary purpose is to sell loyalty miles ("miles") to Avianca, its commercial partners, Star Alliance network partner airlines and to other airline partners and individuals who are program members, which collect fees from program members for certain transactions. Program partners use miles to reward their customers, thereby increasing loyalty to their brands. Airline partners reward passengers with miles for flights taken, financial partners reward their credit or debit card holders with miles when products and/or services are purchased, and commercial partners reward customers with miles for products or other goods and services purchased at commercial locations. Miles can be redeemed for flights on the Group's airlines, Star Alliance member airlines and with other airline partners, as well as commercial partners' products and services, such as hotel nights, car rentals and retail goods among others.

As of December 31, 2022, and 2021, Avianca Group International Limited's total fleet is comprised of:

(In USD thousands)

	As of December 31, 2022			As of December 31, 2021		
Aircraft	**Owned /Financial lease**	**Operating Lease**	**Total**	**Owned /Financial lease**	**Operating Lease**	**Total**
Airbus A-319	2	17	**19**	16	7	**23**
Airbus A-320	2	70	**72**	18	49	**67**
Airbus A-320 NEO	—	21	**21**	3	11	**14**
Airbus A-321	—	—	**—**	5	—	**5**
Airbus A-330	1	3	**4**	1	5	**6**
Airbus A-330F	—	6	**6**	5	1	**6**
Airbus A-300F	3	—	**3**	3	—	**3**
Boeing 787-8	3	10	**13**	8	5	**13**
Boeing 787-9	—	—	**—**	—	1	**1**
ATR-72	—	—	**—**	10	—	**10**
Boeing 767F	2	—	**2**	2	—	**2**
	13	**127**	**140**	**71**	**79**	**150**

As of December 31, 2022, the Group finalized financial lease agreements of ten (10) ATR, five (5) A321, two (2) A320 and three (3) A319 and operating lease agreements of one (1) A320, two (2) A330 and one (1) 787-9. The Group also incorporated eight (8) A320 and seven (7) A320 NEO under operating lease, additionally in December, one (1) A319 aircraft was sold.

As of December 31, 2022, six (6) A319, two (2) A320 and five (5) A330F transitioned to operating leases from finance through sale and lease back transactions. An additional four (4) A319, twelve (12) A320, three (3) A320 NEO and five (5) 787-8 previously under finance leases changed to operating and financial leases while one (1) A330 completed its transition to full ownership. Finally, the Group extended the operating lease agreement of one (1) A320 and one (1) B787-8.

As of December 31, 2021, a total of 15 aircraft (5 Airbus A330F, 6 Airbus A319, 2 Airbus A321 and 2 Airbus A320) were reclassified to assets held for sale of property and equipment (Note 13).

(2) Basis of presentation of the Consolidated Financial Statements

Professional Accounting Standards Applied

(a) Statement of compliance

The Consolidated Financial Statements as at period ended December 31, 2022, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as established by the International Accounting Standards Board ("IASB").

The Group's consolidated financial statements for the Period ended December 31, 2022, and from September 27, 2021 (Date of incorporation) to December 31, 2021, were prepared and presented by Management and authorized for issuance by the board of Directors on April 12 and 13, 2023.

(b) Going Concern

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

The Group has recognized a net loss after taxes of $(322,294) for the year ended December 31, 2022, reflected total equity of $804,502 and an deficit of current assets over current liabilities of $(163,563), and $591,427 excluding deferred revenue from air traffic liability and deferred revenue from the frequent flyer program.

The Financial results of Avianca Group for the year 2022 ratifies its financial strength and flexibility required to execute on the long-term business plan, with more than $0.8 billion of unrestricted cash and $3.9 billion of aggregate debt and IFRS16 lease obligations versus over $5.0 billion of net debt in May 2020, when Avianca Holdings was filed for Chapter 11.

Despite the oil prices declined 34.3% by December 2022, from the last July 2022 peak where the price reached $122,1 per barrel, the jet fuel price continued in high levels due to an important reduction in the global refinery capacity during 2020. The last situation continues to put pressure over the margins of the Group, nevertheless, the robust demand boosted by the holiday season let to maintain healthy fares to offset the impact of high fuel prices. To preserve the Group's strong liquidity position and to mitigate the adverse impact of the increase in jet fuel price, we have been implementing several measures such as fare increases in certain regions where demand allowed it, and capacity adjustments in some markets where needed.

Based on these factors, Management has a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the foreseeable future.

(3) Significant account policies

(a) Basis of measurement

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

(b) Functional and presentation currency

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

(c) Use of judgements and estimates

The preparation of these Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results therefore may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

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, 2021. However, the current environment generates uncertainty and complexity in the estimates calculate.

The following assumptions and estimation uncertainties may have the most significant effect on the amounts recognized in the consolidated financial statements in the next financial year:

- The Group applied IFRS 3 for the business combination applying the acquisition method and recognized goodwill on the acquisition date. The identifiable assets acquired, and the liabilities assumed were measured at fair value at the acquisition date, December 1, 2021. Based on the application of IFRS3 of the business combination, the Group recognized acquired identifiable intangible assets, such as trademarks, customer relationships, agreements, Slots, and routes. Also, the Group recognized assets and liabilities for deferred taxes that arose from the assets acquired and the liabilities assumed in the business combination, accounting for the tax effects of the temporary differences that exist on the date of acquisition. As require under IFRS 3, the Group applied the exception to the principle of recognition of IAS 37 provisions, liabilities, and contingent assets, recognizing on the acquisition date the contingent liabilities assumed in the business combination.

  The Group review the business combination for new information was identified in the remeasurement period as established in IFRS 3. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations were completed. See Note 16.

- The group recognizes revenue from reimbursable or non-restricted tickets that are expected to expire unused based on historical data, experience, and future trend of use of tickets by passenger. To define the expected expiration date, with the support of an independent third-party specialist, the administration must take estimates based on historical experience as an indication of the future customer behavior, analyzed by rate type. The group management team evaluates historical data annually based on said accumulated data and adjust as appropriate, if necessary.

  During this year, the group modify the methodology of outdating for refundable or restricted fares based on no show on the date of the intended trip by fare type (bundled restricted fares), unless special situations related with medical, or force majeure reasons requested by customer notification before the scheduled travel date.

- Deferred taxes are recognized on unused tax losses and on deductible temporary differences to the extent that it is probable that in the future there will be taxable income that can be offset against deferred tax. Management must use significant judgment to determine the amount of deferred tax asset to recognize and the tax rates to use, based on the possible term and amounts of future taxable income together with future tax strategies and tax rates enacted in the jurisdictions where Group entities operate.

- 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 evaluating impairment losses, assets are grouped at the lowest level for which there are largely independent cash flows inflows by air transportation and loyalty cash generating units. An impairment loss is recognized for the excess of the carrying amount of the asset over its recoverable amount. The recoverable amount is the fair value of an asset less the costs for sale or the value in use, whichever is greater.

- Aircraft lease contracts may establish certain conditions requiring aircraft to be returned to the lessor at the contracts' end. 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. For the application of this policy at the beginning of the contract the projected amount of the obligation for return conditions discounted at present value is recognized as a part of the right-of-use and amortized during the term of the 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.

(d) Basis of Consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method in accordance with IFRS 3 "Business Combinations", when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. The consideration transferred in the acquisition is generally measured at acquisition date fair value including the amount of any non–controlling interests in the acquiree, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a discounted purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred and included within administrative expenses except if related to the issue of debt or equity securities.

When the Group acquires a business, it measures at fair value the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

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.

When a business combination is achieved in stages, the Entity's prior shareholding in the acquired company is remeasured at fair value at the acquisition date and the resulting gain or loss, if any, is recognized in the income statement. The amounts arising from interests in the company acquired before the acquisition date that have been previously recognized in other comprehensive income are reclassified to the income statement when this treatment is appropriate if this interest is eliminated.

If the initial accounting treatment of a business combination is incomplete at the end of the reporting period during which the combination occurs, the Entity reports provisional amounts for the items whose accounting is incomplete. Such provisional amounts are adjusted during the measurement period or additional assets, or liabilities are recognized to reflect new information obtained about the facts and circumstances that existed at the acquisition date and that, if known, would have affected the amounts recognized as of that date.

(ii) Subsidiaries

Subsidiaries are entities controlled by AGIL. The financial statements of subsidiaries are included within 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.

(iii)Non-controlling interest - NCI

NCI is measured initially at its proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liability of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted investee

The Group's interest in equity accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity- accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on Consolidation

Intercompany balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gain or losses) arising from intercompany transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currency

(i) Foreign currency transactions

The Consolidated Financial Statements are presented in US dollars. 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.

(f) 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 (frequent flyer program, ground operations, maintenance, and others) in the consolidated financial statements of comprehensive income. Revenues from passenger, which includes transportation, baggage fees, fares, and other associated ancillary income, are 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 revenue 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, for these non-restricted in case of unused tickets that are expected to expire revenue is recognized based on historical data and experience, with the support of an independent third-party specialist, the administration must take estimates based on historical experience as an indication of the future customer behavior, analyzed by rate type. The group management team evaluates historical data annually based on said accumulated data and adjust as appropriate, if necessary.

During this year, the group modify the methodology of outdating for refundable or restricted fares based on no show on the date of the intended trip by fare type (bundled restricted fares), unless special situations related with medical, or force majeure reasons requested by customer notification before the scheduled travel date. 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 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 derecognize it when the government entity is paid.

Therefore, it is indicated that they are recognized as revenue when the passenger transportation service obligation is rendered by the Company or when the non-refundable ticket expires on the scheduled travel date.

(ii) Loyalty program

The Group has a frequent flyer program, "LifeMiles", that is managed by LifeMiles Ltd., a subsidiary of the Group. The purpose of the program is to retain and increase travelers' loyalty by offering incentives 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 credit card use, hotel stays, car rentals, and other activities. Miles are also directly sold through various 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" until the miles are redeemed.

The Group recognizes the revenue for the redemption of miles is recognized in a monthly basis, considering the net number of Miles redeemed in the period multiplied by the cumulative weighted average yield of the program, with such recognized revenue reducing 'deferred revenue'. Miles redeemed also drive the recognition of 'breakage revenue'; the latter is calculated on a pro-rata basis per mile redeemed based on the ratio of Miles redeemed in the period to the total outstanding Miles expected to be redeemed in the future.

Breakage estimates are reviewed periodically. If the estimate of breakage changes, the adjustments are accounted for prospectively through profit and loss with a 'catch-up' adjustment to the corresponding deferred revenue balance. See note 22.

(g) Income tax

Income tax expense is comprised of current and deferred taxes and is accounted for in accordance with IAS 12 "Income Taxes". Current and deferred tax is recognized within profit or loss except to the extent that it relates to transactions recognized in the same or different period outside of profit or loss, either in other comprehensive income or directly in equity or a business combination.

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to calculate 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 and deferred taxes are recognized in income, except when they refer to items that are recognized outside of income, either in other comprehensive income or directly within stockholders' equity, respectively. When the initial recognition of a business combination arises, the tax effect is included within the recognition of the business combination.

Current income tax relating to items recognized outside of income is recognized directly within equity or within other comprehensive income recognized in the consolidated statement of changes in equity or consolidated statement of comprehensive income, respectively. Management periodically evaluates positions taken within the tax returns with respect to situations for which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred income tax

Deferred tax is recognized for temporary variations 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 to the extent that it arises on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 liabilities are recognized, except:

- With respect to 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.

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.

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.

(h) 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 related to the maintenance of the fuselage and the engines of an aircraft are capitalized and depreciated for the shorter period between the next scheduled maintenance or the return of the asset. The depreciation rate depends on the estimated useful life of the asset, which is based on projected cycles and flight hours. Expenses incurred for routine maintenance of aircraft and engines are recorded as expenses as incurred.

(iii)<u>Depreciation</u>

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.

Estimated useful lives are as follows:

Flight equipment	**Estimated useful life (years)**
Aircraft	6 – 18
Aircraft components and engines	Useful life of fleet associated with component or engines.
Aircraft major overhaul repairs	4 – 6
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.

(iv)<u>Revaluation and other reserves</u>

Administrative properties in Bogota, Medellín, San Salvador, and San Jose are recorded at revaluation cost 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 it 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.

(i) 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 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 asset as held for sale are no longer met, the Group 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.

(j) Leased assets

(i) Leases

At inception date of the contract, the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract transfers the right to control the use of an asset for a period in exchange for compensation. To assess whether a contract transfers the right to control the use of an identified asset, the Group uses the definition of lease in IFRS 16, or short-term leases, recognizing it as an expense on a straight-line basis over the term of the lease.

(ii) Assets by right of use

The Group recognizes the assets for right of use on the commencement date of the lease, i.e., the date on which the underlying asset is available for use. 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 impairment.

(iii) Lease liabilities

At the commencement 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, including Power by the Hour (“PBH”) payments, are recognized as an expense during the period in which the event or condition that triggers the payment occurs.

At the commencement or amendment of a contract that contains a lease component, the Group assigns the consideration in the contract to each lease component based on their relative independent prices. However, the Group has chosen not to separate the non-lease components of property leases, and to account for the lease and non-lease components as a single lease component.

Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

(iv) Short Term Leases

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including variable payment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period 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 are comprised of interest and other costs that an entity incurs in connection with the borrowing of funds.

(l) 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.

	Estimated useful life (years)
Trademarks and Trade Names	Indefinite
Slots	Indefinite
Customer Relationships	15 – 20
Routes	10
Agreements	10

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 consumption pattern 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 they 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 is 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 to each company acquired and from the date of acquisition and an impairment measurement is carried out at the air segment level. 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.

Based on the application of IFRS3 of the business combination, the Group recognized acquired identifiable intangible as assets such as trademarks, customer relationships, agreements, slots, routes, and developed technology.

The Group's intangible assets include the following:

(i) Software, webpages and Cloud Computing

Acquired computer software licenses are capitalized based on 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.

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.

Cloud computing agreements correspond to a fee paid to a provider in exchange for access to the software through the Internet. The software is hosted by the supplier in its IT infrastructure. Directly attributable costs of preparing the software for its intended use are capitalized only when an intangible software asset is acquired. Therefore, directly attributable costs incurred to prepare the software for its intended use (for example, testing, data migration and conversion, training, software configuration, software customization, etc.) are not capitalized. These costs are only capitalized and recognized over a longer period when the implementation service differs from the service of receiving access to the software; or the cost gives rise to an independent intangible asset controlled by the Company who acquires it.

(ii) Routes, customer relationships, agreements, slots, and trademarks

Routes, customer relationships, agreements, slots, 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 useful life of intangible assets associated with agreements rights and obligations is based on the term of the contract. The intangible assets are amortized over their useful lives of between two and twenty years. Certain trademarks have indefinite useful lives and therefore are not amortized but are 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.

(iii) *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 assets.
- 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 within cost of sales. During the period of development, the asset is tested for impairment annually.

(m) Financial instruments – initial recognition, classification, and subsequent measurement

(i) <u>Financial assets</u>

Financial assets are classified in the initial recognition as follows:

- 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. A financial asset (unless it is a trade receivable without a significant financial component) or financial liability is initially measured at fair value plus or minus for an item not at FVTPL, transaction costs that are directly attributable so its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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" 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, i.e., the date on which the Group commits to buy or sell the asset.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified within three categories:

- at amortized cost;
- at fair value through other comprehensive income; or
- at fair value through profit or loss.

<u>Financial assets at amortized cost</u>

The Group measures financial assets at amortized cost if the following conditions have been met:

- The financial asset is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

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.

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 other comprehensive income

The Group measures debt instruments at fair value through OCI if the following conditions are met:

- The financial asset is held within a business model for which the objective is to achieve by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to the cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, exchange revaluation and impairment losses or reversals are recognized within 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 within OCI. Subsequent to derecognition, the change in accumulated fair value recognized in OCI is recognized within profit or loss.

For 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 on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recognized as gains or losses. Dividends are recognized as other income within the income statement when the right to payment has been established, except when the Group benefits from said income as a recovery of part of the cost of the financial asset, in which case said earnings are recorded within 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 sale or repurchase 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 disconnect.

Financial assets at fair value through profit or loss are recorded within the Statement of Financial Position, at fair value with net changes, recognized within 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.

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.

The Group applies a simplified approach when calculating ECL for trade accounts receivable and contractual assets. 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 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 ongoing 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.

(ii) Financial Liabilities

Financial liabilities are classified, upon 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:

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 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 considering 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, said 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 within the income statement.

Compensation of assets and financial liabilities

Financial assets and liabilities are offset, and the net amount is recorded within 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.

(iii) 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 by 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. These 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.

Note 27 includes an analysis of the fair values of financial instruments and more details on how they are valued.

(iv) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as call option commodity contracts, to hedge its commodity price risks, specifically WTI or jet fuel prices. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered. 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 commodities contracts that are entered 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, excluding the effective portion of derivatives assigned as cash flow hedges, which is recognized within other comprehensive income.

Cash flow hedges

The Group formally designates and documents the hedge relationship at the inception of a 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. These hedges are expected to be highly effective in offsetting variations in cash flows and are assessed on an ongoing basis to determine that they 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 within equity, while any ineffective portion of cash flow hedge related to operating and financing activities is recognized immediately within 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 an expected sale occurs. In the instance 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 expected 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.

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).

In the instance where the Group holds a derivative as an economic hedge (and does not apply hedge accounting) for a period exceeding 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 consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current component and a non–current component only if a reliable allocation can be made.

Embedded derivatives are separated from the host contract and are 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.

(n) Expendable spare parts and supplies

Expendable spare parts and supplies are shown at the lower of their cost and replacement cost. The cost is determined based on the weighted average cost method (WAC). The replacement cost is the estimated purchase price in the ordinary course of business.

(o) Cash and Cash equivalents

Cash and cash equivalents in the consolidated financial statements position are comprised of 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 consolidated statement of cash flows, cash and cash equivalents are comprised of cash and short–term deposits as defined above, net of outstanding bank overdrafts, if any.

(p) Impairments of non-financial assets

The Group reviews 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 assets held for sale, the Group discontinues depreciation and records 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 air transportation business unit and the loyalty program as the lowest level of identifiable cash flows. An impairment loss is recognized if the carrying amount exceeds its recoverable amount.

The recoverable amount of an asset, or cash-generating unit ("CGU"), is the greater of its value in use or its fair value less cost of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time, value of money, and the risks specific to the asset or CGU.

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.

Impairment losses are recognized within profit or loss and are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the current amount of the other assets in the CGU on a pro rata basis.

(q) Security deposits for aircraft and engines

The Group is required 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 recorded as "Deposits and other assets". These assets are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Guarantee and collateral deposits 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 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 established 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 net of insurance and a reasonable estimate can be made. The assessment of probability of loss includes assessing the available evidence, the hierarchy of laws, available case law, the most recent court decision, and their relevance within the legal system, as well as the legal counsel's assessment.

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.

(i) Provision for return condition

On the lease commencement date, the Group records a provision to accrue for the cost that will be incurred in order to return the leased aircraft to their lessor in the agreed-upon condition, which is capitalized in the right-of-use asset and recognized as a liability for return condition. The methodology applied to calculate said provision requires management to make assumptions, including the future costs of returning the aircraft, discount rate, and aircraft utilization.

Any variation in the actual maintenance cost incurred and the amount of the provision is recorded under "Maintenance and repairs" in the consolidated statement of profit or loss.

(s) Employee Benefits

The Group sponsors defined employee benefit pension plans which require contributions to separately administered funds. The Group also provides 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 during the period in which they occur within other comprehensive income.

Actuarial gains and losses for defined benefit plans are recognized in full during the period in which they occur within other comprehensive income.

In accordance with Law 860 of 2003, Decree-Law 1282 and 1283 of 1994, the Group must transfer the value of its actuarial calculation to the CAXDAC pension fund and will have until 2023 to make the payments, from this date CAXDAC will become responsible for the obligation, until then the responsible for the obligation is the Group.

The defined benefit asset or liability CAXDAC include a short-term obligation commutable in the year 2023, measured with a discount rate of 4% based on Decree 2783/2001, Decree 1730 of 2001 and Circular 10 of 2009 of the Superintendencia de puertos y transportes, less the fair value of plan assets from which the obligations are to be settled. Plan assets correspond to transfers paid by the Group. Plan assets are not available for payments to creditors and cannot 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). It considers any changes in the net defined benefit liability (asset) during the period related to 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 within the consolidated statement of comprehensive income when they are due.

(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 policies D&O.

Corresponds to policies of Directors and Officers of Group.

(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) Other assets

(i) Travel Agencies Commissions

Commissions paid for tickets sold for Travel Agencies are recorded when tickets are used.

(v) Interest income and interest expense

Interest income is comprised of 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 within the consolidated statement of comprehensive income. Interest income is recognized as accrued within the consolidated statement of comprehensive income, using the effective interest rate method.

Interest expense is comprised of 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 within the consolidated statement of comprehensive income using the effective interest method.

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

The Group initiated the application of certain standards and amendments to standards, effective for those reporting periods subsequent to January 1, 2022. The Group has applied the IAS12 amendment early. These standards are as follows:

(4.1) Standards issued but not yet effective

The following modifications are effective for the periods beginning and subsequent to January 1, 2023:

Definition of an accounting estimate (amendments to IAS 8)

- The amendments introduce a new definition of accounting estimates clarifying that these are monetary amounts within the financial statements that are subject to uncertainty related to their calculation.
- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the established accounting policy’s objective.

This amendment is effective as of January 1, 2023.

Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2)

- The Board recently issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Statement of Practice 2 Making Materiality Judgments which enables companies to provide useful disclosures on accounting policies.
- Disclosure on accounting policies is material if, when considered in conjunction with other information included within an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Additionally, the key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies.
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

This amendment is effective as of January 1, 2023.

Insurance Contracts IFRS 17

- The Group will be required to identify and recognize an asset for insurance acquisition cash flows incurred prior to transition.
- IFRS 17 required some changes to the definition of an insurance contract and adds new scope exemptions.
- Defines whether or not the Contract is an insurance contract and its scope could change.
- Some non-insurers could issue a contract to which IFRS 17 will apply. e.g., product breakdown, contracts, or warranties.

This amendment is effective as of January 1, 2023.

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

- Modifies the requirement to classify a liability as current by establishing that a liability is classified as current when "at the end of the reporting period it does not have the right to defer the settlement of the liability for at least the following twelve months."
- Clarifies within paragraph 72A that "the right of an entity to defer the settlement of a liability for at least twelve months after the reporting period must be substantial and, as paragraphs 73 to 75 illustrate, must exist at the end of the reporting period."

This amendment is effective as of January 1, 2024.

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

The amendments confirm the following.

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The group will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16.

(In USD thousands)

This amendment is effective as of January 1, 2024.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)

- The amendments to IFRS 10 and IAS 28 address those situations wherein there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognized within the parent company's profit or loss only to the extent of the unrelated investors' interests in said associate or joint venture. Similarly, gains and losses resulting from the reassessment of investments retained within any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized within the former parent company's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of said amendments has yet to be established by the IASB. However, prior application of the amendments is permitted in the year.

(5) Segment Information

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

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

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

The Group's operational information by reportable segment for year ended December 31, 2022, is as follows:

	For the year ended December 31, 2022			
	Air transportation	**Loyalty**	**Eliminations**	**Consolidated**
Operating revenue				
External customers	$ 3,834,524	$ 213,332	$ —	$ 4,047,856
Inter-segment	9,305	2,873	(12,178)	—
Total operating revenue	**3,843,829**	**216,205**	**(12,178)**	**4,047,856**
Operating expenses before depreciation and amortization	3,477,795	168,617	(12,178)	3,634,234
Depreciation and amortization	318,972	22,715	(8,153)	333,534
Operating profit	**47,062**	**24,873**	**8,153**	**80,088**
Interest expense	(365,490)	(32,759)	—	(398,249)
Interest income	12,604	1,771	—	14,375
Foreign exchange	(9,772)	(85)	—	(9,857)
Equity method profit	523	—	—	523
Income tax expense	(6,962)	(356)	—	(7,318)
Net (loss) for the period, from continuing operations	**(322,035)**	**(6,556)**	**8,153**	**(320,438)**
Loss from discontinuing operations	(1,856)	—	—	(1,856)
Net (loss) for the period	**$ (323,891)**	**$ (6,556)**	**$ 8,153**	**$ (322,294)**

(In USD thousands)

Total Assets – December 31, 2022	**$ 6,335,692**	**$ 1,010,188**	**$ (126,068)**	**$ 7,219,812**
Total Liabilities – December 31, 2022	**$ 5,610,740**	**$ 887,180**	**$ (82,610)**	**$ 6,415,310**

(In USD thousands)

The Group's operational information by reportable segment for the period from September 27, 2021 (Date of incorporation) to December 31, 2021, Restated, is as follows:

	For the Period from September 27, 2021 (Date of incorporation) to December 31, 2021, Restated.			
	Air transportation	**Loyalty**	**Eliminations**	**Consolidated**
Operating revenue				
External customers	$ 316,203	$ 20,600	$ —	$ 336,803
Inter-segment	19,938	1,072	(21,010)	—
Total operating revenue	**336,141**	**21,672**	**(21,010)**	**336,803**
Operating expenses before depreciation and amortization	319,454	15,378	(21,010)	313,822
Depreciation and amortization	16,722	1,042	(680)	17,084
Operating profit (loss)	**(35)**	**5,252**	**680**	**5,897**
Interest expense	(19,768)	(3,151)	—	(22,919)
Interest income	72	1,072	—	1,144
Other financial income	4,433	—	—	4,433
Foreign exchange	(3,461)	4	—	(3,457)
Equity method profit	129	—	—	129
Income tax expense	(374)	(11)	—	(385)
Net (loss) for the period	**$ (19,004)**	**$ 3,166**	**$ 680**	**$ (15,158)**
Total Assets – December 31, 2021, Restated	**$ 5,464,337**	**$ 1,387,612**	**$ (125,168)**	**$ 6,726,781**
Total Liabilities – December 31, 2021, Restated	**$ 4,606,534**	**$ 980,175**	**$ (22,830)**	**$ 5,563,879**

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

The Group's revenues by geographic area for the year ended December 31, 2022, and the period from September 27,2021 (Date of incorporation) to December 31, 2021, are as follows:

	For the year ended December 31, 2022	**For the period from September 27, 2021 (Date of incorporation) to December 31,2021, Restated**
Colombia	$ 1,779,759	$ 135,590
Central America and the Caribbean	730,021	79,726
United States of America	736,154	72,796
South America (excluding Colombia)	599,252	34,826
Other	202,670	13,865
Total operating revenue	**$ 4,047,856**	**$ 336,803**

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

(6) 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.

The primary sources of funds are cash provided by operations and cash provided by financing activities. The primary uses of cash are for working capital, capital expenditures, leases, and general corporate purposes. Historically, the Group has been able to fund our short-term capital needs with cash generated from our operations. Our long-term capital needs relate to aircraft purchases.

We believe that the above sources, including our exit 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.

(In USD thousands)

As of December 31, 2022

	Carrying amount	Contractual cash flows	Years: One	Two	Three	Four	Five and thereafter
Short–term borrowings	$ 80,413	$ 80,413	$ 80,413	$ —	$ —	$ —	$ —
Long-term debt	2,306,831	3,049,291	213,361	316,107	233,658	187,727	2,098,438
Rights of use - IFRS 16	1,597,591	2,323,697	302,426	309,851	314,633	299,302	1,097,485
Total debt	**$ 3,984,835**	**$ 5,453,401**	**$ 596,200**	**$ 625,958**	**$ 548,291**	**$ 487,029**	**$ 3,195,923**
Liabilities associated with the assets held for sale	6,465	6,465	6,465				
Accounts payable	429,854	429,854	429,854	—	—	—	—
Accrued expenses	54,577	54,577	54,577	—	—	—	—
Contractual maturities	**$ 4,475,731**	**$ 5,944,297**	**$ 1,087,096**	**$ 625,958**	**$ 548,291**	**$ 487,029**	**$ 3,195,923**

As of December 31, 2021

	Carrying amount	Contractual cash flows	Years: One	Two	Three	Four	Five and thereafter
Short–term borrowings	$ 184,410	$ 184,410	$ 184,410	$ —	$ —	$ —	$ —
Long-term debt	2,295,041	3,038,838	63,383	33,646	45,276	71,126	2,825,407
Rights of use - IFRS 16	579,740	831,575	73,407	97,329	111,294	136,683	412,862
Debt assets held for sale	317,667	317,667	317,667	—	—	—	—
Total debt	**$ 3,376,858**	**$ 4,372,490**	**$ 638,867**	**$ 130,975**	**$ 156,570**	**$ 207,809**	**$ 3,238,269**
Accounts payable	528,212	528,212	528,212	—	—	—	—
Accrued expenses	22,978	22,978	22,978	—	—	—	—
Contractual maturities	**$ 3,928,048**	**$ 4,923,680**	**$ 1,190,057**	**$ 130,975**	**$ 156,570**	**$ 207,809**	**$ 3,238,269**

(In USD thousands)

(b) Fuel price risk

The Group´s operations require a significant volume of jet fuel, being one of the most important cost through the year. Jet fuel price increased 54.2% between 2021 close and 2022 close, reaching a price over USD 5 per gallon of Jet fuel at the end of April 2022. The Group has implemented several strategies to relieve macroeconomic headwinds and unexpected catastrophic events, mainly aiming to recapture incremental fuel costs via fare increases and acquiring fuel derivative assets to cover significant fluctuations in price.

This has primarily been achieved through fare increases in those markets with supportive demand dynamics, thereby offsetting 85% of the impact of jet fuel price increases in the passenger segment and fully compensating the effect in the cargo segment thanks to the high fares sustained through the year. Furthermore, capacity has been reduced and/or optimized to improve operational performance in those markets where the passthrough via fare increases has been more difficult to achieve, enabling an increased focus on more profitable markets.

In addition, in 2022 Avianca purchased call options with West Texas Intermediate (WTI) and jet fuel as an underlying asset to cover a portion of fuel consumption for the last months of the year, enabling the Company to protect against fuel price increases and volatility. The Group spent $14,045 in premiums related to those fuel call options. At the end of 2022 all derivative options were closed, and more hedging is not expected for 2023. (See note 26).

Sensitivity analysis

Fuel price fluctuation impacts on profit and/or loss are illustrated below. This analysis shows the estimated impact for 2023 of a 5%, 10% and 15% increase in the underlying jet fuel price at the end of December 2022, with a projected consumption of 498 million gallons. This calculation assumes that all other variables remain constant and considers the effect of changes in jet fuel price.

		Effect in profit or loss
5% movement	$	(83,028)
10% movement	$	(166,055)
15% movement	$	(249,083)

(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 profit or loss in foreign currency is derived primarily from the depreciation of the Colombian Peso against the US Dollar. For the year ended December 31, 2022, and Period monthly December 2021, the Group recognized a net loss from of $(9,857) and $(3,457) respectively.

Mitigation

To mitigate the exchange rate risk, the Group has direct and indexed sales in strong currencies, including dollars, the foreign currency exchange rate risk is mitigated, thus covering a relevant portion of its expenses in dollars. In our Income Statement it suggests that there is not a high correlation between the USD exchange rate variation and the company results in operating profit.

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 is as follows:

(In USD thousands)

	December 31, 2022							
	USD	**Colombian Pesos**	**Euros**	**Mexican Pesos**	**Argentinean Pesos**	**Brazilian Reals**	**Others**	**Total**
Cash and cash equivalents and restricted cash	$ 704,953	$ 71,534	$ 5,026	$ 2,404	$ 9,285	$ 2,317	$ 21,197	$ 816,716
Short term investments	43,335	1,171	—	—	—	—	337	44,843
Trade and other receivables, net of expected credit losses	221,987	54,678	15,420	3,204	8,289	16,740	19,368	339,686
Secured debt	(3,934,422)	—	—	—	—	—	—	(3,934,422)
Unsecured debt	(50,413)	—	—	—	—	—	—	(50,413)
Liabilities associated with the assets held for sale	—	(6,465)	—	—	—	—	—	(6,465)
Accrued expenses	(47,461)	(3,586)	(373)	(143)	(27)	(2,572)	(415)	(54,577)
Accounts payable	(260,704)	(92,413)	(34,776)	(1,505)	(5,077)	(12,258)	(23,163)	(429,896)
Net financial position exposure	**$ (3,322,725)**	**$ 24,919**	**$ (14,703)**	**$ 3,960**	**$ 12,470**	**$ 4,227**	**$ 17,324**	**$ (3,274,528)**

	December 31 , 2021							
	USD	**Colombian Pesos**	**Euros**	**Mexican Pesos**	**Argentinean Pesos**	**Brazilian Reals**	**Others**	**Total**
Cash and cash equivalents and restricted cash	$ 1,123,540	$ 129,871	$ 8,301	$ 913	$ 2,638	$ 3,237	$ 11,296	$ 1,279,796
Short term investments	41,949	—	—	—	—	—	311	42,260
Trade, related parties and other receivables, net of expected credit losses	108,415	49,146	18,324	3,622	5,892	7,318	13,529	206,246
Secured debt	(2,742,592)	(256,624)	—	—	—	—	—	(2,999,216)
Unsecured debt	(59,975)	—	—	—	—	—	—	(59,975)
Debt- assets held for sale	(317,667)	—	—	—	—	—	—	(317,667)
Accrued expenses	(18,251)	(3,304)	—	(58)	—	(1,155)	(210)	(22,978)
Accounts payable	(334,474)	(130,636)	(16,768)	(8,663)	(4,984)	(7,723)	(24,996)	(528,244)
Net financial position exposure	**$ (2,199,055)**	**$ (211,547)**	**$ 9,857**	**$ (4,186)**	**$ 3,546**	**$ 1,677**	**$ (70)**	**$ (2,399,778)**

(In USD thousands)

Sensitivity analysis

A reasonably possible strengthening (weakening) of Colombian pesos, Euros, Mexican Pesos, Argentinean Pesos and Brazilian Real against all other currency at December 31 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amount shown below. 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.

	Colombian Pesos		Euros		Mexican Pesos		Argentinean Pesos		Brazilian Reals	
Sensitivity analysis 2022 Change forecast in exchange rate	16%	21%	9%	6%	3%	(5%)	22%	72%	7%	(5%)
Effect of net profit of the period	$ 3,987	$ 5,233	$ (1,323)	$ (882)	$ 119	$ (198)	$ 2,743	$ 8,978	$ 296	$ (211)
Sensitivity analysis 2021 Change forecast in exchange rate	16%	5%	(9%)	9%	3%	5%	22%	40%	7%	29%
Effect of net profit of the period	$ (33,848)	$(10,577)	$(887)	$887	$(126)	$(209)	$780	$1,418	$117	$ 486

(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:

(In USD thousands)

Carrying amount – asset/(liability)		**December 31, 2022**		**December 31, 2021**
Fixed rate instruments				
Financial assets	$	698,336	$	908,940
Financial liabilities		(1,702,110)		(1,719,437)
Total	**$**	**(1,003,774)**	**$**	**(810,497)**
Floating rate instruments				
Financial assets	$	14,739	$	33,244
Financial liabilities		(685,134)		(760,014)
Total	**$**	**(670,395)**	**$**	**(726,770)**

A reasonably possible change of 5%, 10% and 15% in interest rate at the reporting as of December 31,2022 and 2021 are date would have increase profit or loss, for floating rate instruments. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Effect in profit or loss			
		December 31, 2022		**December 31, 2021**
5% movement	$	34,257	$	38,001
10% movement	$	68,513	$	76,001
15% movement	$	102,770	$	114,002

(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 special purpose consolidated statement of financial position date. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Impairment losses on financial assets and contract assets recognized in profit or loss on 31 December 31, 2022 and 2021 are as follows:

		December 31, 2022		**For the Period from September 27, 2021 (Date of incorporation) to December 31, 2021**
Impairment loss on trade receivable and contract assets arising from contracts with customers	$	8,736	$	3,784

The Group conducts transactions with the following major types of counterparties:

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 Group, 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.

To mitigate the credit risk arising from deposits in bank, the Group only conducts business with financial institutions that have an investment grade above BBB- from Standard & Poor’s and the equivalent rating by Moody’s and liquidity indicators aligning with or above the market average. For the investments in financial instruments, different from deposits in bank, the Group requires a grade above A- from Standard & Poor’s and equivalent rating by Moody’s.

The Group has established a policy to perform an assessment, at the end of each quarterly reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by monitoring changes in credit risk ratings published by Standard & Poor’s and Moody´s.

Trade receivables and contract assets

The Group's exposure to credit risk is mainly influenced by the characteristics of corporate and individual customers. The Group has established a credit policy under which the customer is analyzed by group if it is a natural or legal person to determine its solvency before payment and the terms and conditions of the service offered. The evaluation includes external qualifications and validation in restrictive lists and considers that the main corporate customers are companies to which cargo and courier services are provided since the Passenger and cargo processes handled with the International Air Transport Association (IATA – International Air Transport Association) have established payment terms and schedules of less than one month. The Group limits its exposure to the credit risk of trade accounts receivable by establishing a maximum payment term of between one and four months for individual and corporate customers.

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.

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.

(In USD thousands)

On 31 December 31, 2022 and 2021, the exposure to credit risk for trade receivable and contract assets by type of counterparty is as follows:

	December 31, 2022	**December 31, 2021**
Air Transportation	$ 215,150	$ 170,538
Miscellaneous	7,250	11,625
Miles	6,262	5,849
Others	1,406	896
Total	**$ 230,068**	**$ 188,908**

(f) Expected credit loss assessment

The Group uses a matrix to determine the expected credit losses of trade receivables. Loss rates are calculated using historical information and other projections through a simplified method and are applied to the commercial credit portfolio. Other fixed percentages are applied for agencies that consolidate their sale through the International Air Transport Association (IATA). The accounts receivables were acquired at fair value at the acquisition date.

At 31 December 31, 2022 and 2021, the expected credit loss assessment is as follows:

December 31, 2022

Buckets	**Percentage of expected credit loss**	**Gross Carrying amount**	**Impairment loss allowance**
No past due	0.07%	$ 137,875	$ 384
Past due 1 – 30 days	0.39%	39,985	25
Past due 31 –90 days	4.77%	18,420	106
Past due more 91 days	11.87% and 100%	33,788	8,221
		$ 230,068	**$ 8,736**

December 31, 2021

Buckets	**Percentage of expected credit loss**	**Gross Carrying amount**	**Impairment loss allowance**
No past due	0.10%	$ 61,065	$ 3,784
Past due 1 – 30 days	0.45%	63,296	—
Past due 31 –90 days	3.10%	40,988	—
Past due more 91 days	5.3%	23,559	—
		$ 188,908	**$ 3,784**

(g) 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 based on the debt–to–capital ratio.

(In USD thousands)

Following is a summary of the debt–to/capital ratio of the Group:

	Note	December 31, 2022	December 31, 2021
Corporate debt	17	$ 2,387,244	$ 2,479,451
Lease liabilities (Aircraft and other rents)	17	1,597,591	579,740
Less: cash and cash equivalents	7	(777,504)	(1,201,759)
Total		**$ 3,207,331**	**$ 1,857,432**
Total equity		804,502	1,162,902
Total capital		**$ 4,011,833**	**$ 3,020,334**
Net debt–to–capital ratio		**80%**	**61%**

(h) 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, 2022, and 2021 are as follows.

		December 31, 2022	
	Notes	Carrying amount	Fair value
Financial assets			
Short term Investments	7	$ 44,843	$ 44,843
Plan assets	21	161,633	161,633
		$ 206,476	**$ 206,476**
Financial liabilities			
Short term borrowings	17,27	80,413	46,997
Long term debt	17,27	2,306,831	2,108,753
		$ 2,387,244	**$ 2,155,750**

		December 31, 2021	
	Notes	Carrying amount	Fair value
Financial assets			
Investments	7	$ 42,260	$ 42,260
Plan assets	21	191,546	191,546
		$ 233,806	**$ 233,806**
Financial liabilities			
Short term borrowings	17	196,761	196,761
Long term debt	17	2,862,430	2,862,430
Derivative instruments	27	522	522
		$ 3,059,713	**$ 3,059,713**

(In USD thousands)

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 considers that the carrying amount of financial assets and financial liabilities, excluding corporate debt, is approximately to the fair value.

(7) Cash and cash equivalents, restricted cash, and Short-Term Investments

		December 31, 2022		December 31, 2021,Restated
Cash on hand and bank deposits	$	729,132	$	1,158,048
Cash equivalents (1)		48,372		43,711
Cash and cash equivalents		**777,504**		**1,201,759**
Restricted cash (2)		39,212		25,001
Escrow account (3)		—		53,036
Cash, equivalents, and restricted cash	**$**	**816,716**	**$**	**1,279,796**
Short term investments (4)	$	44,843	$	42,260
Total Short-Term Investments	$	**44,843**	**$**	**42,260**

(1) As of December 31, 2022, Investment Funds accrued annual interest rates between 4,47% and 15.90% in Colombian pesos; Time Deposits accrued annual interest at 4.35% in Costarican Pesos and between 1% and 6% in U.S. dollars; Tax credit notes did not accrued any annual interest rate in Colombian Pesos, Costarican Pesos or U.S. dollars; CDTs (colombian term deposits) accrued annual interest rates at 11.19% in Colombian Pesos. As of December 31, 2021, term deposits accrued annual interest rates between 2.02% and 2.60% in Colombian pesos and between 2.02% and 3.36% in U.S. dollars. The use of term deposits depends on the Group's cash requirements during the period.

(2) Restricted cash to cover events/claims; AGIL has availability through precise instructions with the broker and bank guarantee collaterals, whose purpose is to support the guarantees that the JP Morgan bank and Citibank NY bank grant to the different third parties that require them from Avianca S.A. for the fulfillment of contracts or the provision of different operation services.

(3) In December 2021, Professional Fees Escrow Account (the "Escrow Account") was opened for the purpose of satisfying reimbursement of expenses incurred by retained professionals in the Chapter 11 Cases.

(4) The short-term classification corresponds to funds invested for terms of less than one year; investments correspond to CDTs and bonds constituted by trusts held by the Group.

(In USD thousands)

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

	December 31, 2022		December 31, 2021, Restated	
Trade	$	230,068	$	188,908
Employee advances		3,346		3,282
Others		11,667		17,840
	$	**245,081**	**$**	**210,030**
Less estimate for expected credit losses (1)		(8,736)		(3,784)
Total	**$**	**236,345**	**$**	**206,246**
Net current		233,753		206,246
Net non-current (2)		2,592		—
Total	**$**	**236,345**	**$**	**206,246**

(1) Trade receivables are non-interest bearing. The Group recognized impairment for expected credit losses as of December 31, 2022, and 2021 restated for $8,736 and $3,784 respectively.

	December 31, 2022		December 31, 2021, Restated	
Balance at beginning of year	$	3,784	$	—
Provision for expected credit losses		4,952		3,784
Total	**$**	**8,736**	**$**	**3,784**

(2) Avianca Group International Limited (AGIL) entered into a Loan Agreement with Rexton Enterprises S.A. in July 2022 for a total amount of US $2,500. This loan has a term of five years, and interest will be capitalized and added to the unpaid balance, which will be paid on the due date.

The age of trade accounts receivable at the end of the reporting period is as follows:

	December 31, 2022		December 31, 2021	
Neither past due nor impaired	$	137,875	$	61,065
Past due 1–30 days		39,985		63,296
Past due 31–90 days		18,420		40,988
Past due more than 91 days		33,788		23,559
Total		**230,068**		**188,908**
Less estimate for expected credit losses		(8,736)		(3,784)
Trade receivables, net of expected credit loss	**$**	**221,332**	**$**	**185,124**

(9) Balances and transactions with related parties

As of December 31, 2022, the Group reported receivables to related parties for $103,341 and payables to related parties for $42. During the year, the Group reported revenues from related parties of $2,829. As of December 31, 2021, the Group payable to related parties was $32 and the Group present accommodation expenses with related parties for $13.

		December 31, 2022				Decem	
	Country	Receivables	Payables	Revenues	Expenses	Receivables	Payabl
ional S.A	Colombia	$ —	$ 40	$ —	$ —	$ —	$
	Cayman Islands	103,341	—	761	—	—	
	Colombia	—	—	2,068	—	—	
	Colombia	—	2	—	5	—	
		$ 103,341	**$ 42**	**$ 2,829**	**$ 5**	**$ —**	**$**

	December 31, 2022		December 31, 2021	
	Receivables	Payables	Receivables	Payables
Short term	$ —	$ 42	$ —	$ 32
Long term	103,341	—	—	—
Total related parties	**$ 103,341**	**$ 42**	$ —	**$ 32**

(In USD thousands)

Avianca Group International Limited (AGIL) entered into an intercompany agreement with Investment Vehicle 1 Limited (IV1) in April 2022 for a total amount of US$103,341 ($97,800 initial loan and $5,541 for amortization and interest capitalization). This intercompany loan has a term of five years, the interest for which to be capitalized on and added to the outstanding balance, to be paid on the maturity date.

Key management personnel compensation expense

During the year ended December 31, 2022, and the period from September 27, 2021 (Date of incorporation) to December 31, 2021, the employee benefits for key management personnel were $29,951 and $2,136, respectively.

Short-term employee benefits are as follows:

		December 31, 2022		For the Period from September 27, 2021 (Date of incorporation) to December 31, 2021
Salaries/Bonuses/Cash Benefits	$	26,000	$	1,815
Benefits/Social Charges		3,128		100
Others		823		221
Total	**$**	**29,951**	**$**	**2,136**

(10) Expendable spare parts and supplies

Expendable spare parts and supplies as of December 31, 2022, and 2021 restated are as follows:

		December 31, 2022		December 31, 2021, Restated
Expendable spare parts and supplies	$	90,670	$	69,930
Provision for obsolescence of supplies		(2,092)		(157)
Total	$	**88,578**	**$**	**69,773**

For the year ended December 31, 2022, and for the Period from September 27, 2021 (Date of incorporation) to December 31, 2021 restated, expendable spare parts and supplies in the amount of $49,594 and $7,580, were recognized as maintenance expense.

The movement of the provision for obsolescence for expendable spare parts of supplies is as follows:

(In USD thousands)

	December 31, 2022		For the Period from September 27, 2021 (Date of incorporation) to December 31, 2021	
Opening Balance	$	(157)	$	—
Additions		(1,959)		(165)
Provisions used		24		8
Total	$	**(2,092)**	**$**	**(157)**

(11) Prepayments

These expenses are mainly related to advance payments for the rental of aircraft and insurance, as of December 31, 2022, and 2021 restated, the prepaid balances are as follows:

	December 31, 2022		December 31, 2021,Restated	
Premiums for insurance policies (1)	$	14,096	$	23,032
Others		1,162		1,232
Total	**$**	**15,258**	**$**	**24,264**

(1) Corresponds mainly to the D&O (Directors & Officers) policy.

(12) Deposits and other assets

Deposits and other assets as of December 31, 2022, and 2021 restated are as follows:

	December 31, 2022		December 31, 2021, Restated	
Deposits and other assets:				
Deposits with lessors (1)	$	2,718	$	1,551
Guarantee deposits (2)		15,958		9,637
Commission (3)		13,946		10,453
Others (5)		3,925		4,211
Subtotal		**36,547**		**25,852**
Deposits with lessors (1)	$	51,745	$	16,900
Guarantee deposits (2)		9,265		12,481
Labor lawsuits (4)		12,796		91
Long term investments		7,461		7,538
Subtotal		**81,267**		**37,010**
Total	$	**117,814**	$	**62,862**

(In USD thousands)

(1) Corresponds primarily to operating lease aircraft agreement security deposits. These deposits are recoverable.

(2) Corresponds to the amounts paid to suppliers in relation to airport facility leasing, among other service agreements and lawsuit deposits.

(3) Corresponds to travel agencies commissions.

(4) Corresponds to court deposits to guarantee civil and labor lawsuits, which remains in court until the resolution of the disputes to which they are related.

(5) Corresponds mainly to other deposits and aeronautical policies.

(13) Assets and liabilities of held for sale

	December 31, 2022		December 31, 2021	
Airbus aircraft and engines (1)	$	16,430	$	322,890
Disposal group held for sale (2)		9,637		—
Total assets held for sale	$	**26,067**	**$**	**322,890**
Liabilities associated with assets held for sale	$	6,465	$	317,667
Total liabilities associated with assets held for sale	$	**6,465**	**$**	**317,667**

(1) As of December 31, 2022, certain Group subsidiaries classified as held for sale two (2) aircraft, (one (1) A330 and one (1) A320), and three (3) engines to be sold during 2023. On December 31, 2021, certain Group subsidiaries sold fifteen (15) aircraft during 2022: five (5) Airbus A330F, six (6) Airbus A319, two (2) Airbus A320 and two (2) Airbus A321. During the period from September 27, 2021 (Date of incorporation) to December 31, 2021, the Group paid liabilities associated with assets held for sale for $161,571 (Capital: $154,811, Interest: $6,760).

(2) Disposal of Group subsidiary held for sale within Servicios Aeroportuarios Integrados SAI S.A.S. (See note 13.1).

(13.1) Discontinued operation of Servicios Aeroportuarios Integrados – SAI S.A.S.

AGIL’s Board of Directors approved on February 17, 2022, the divestiture of Servicios Aeroportuarios Integrados SAI S.A.S. (“SAI S.A.S.”) a Colombia-based subsidiary operating within the air transportation segment. SAI S.A.S is therefore presented as a disposal group held for sale.

A share purchase agreement (“SPA”) was entered into by (i) AV Investments Two Colombia S.A.S. (“AV Investments”), a subsidiary of Avianca Group International Limited, (ii) Gabriel and Gloria Serrano (the

(In USD thousands)

"Serrano Family" together with AV Investments, the "Sellers"), (iii) Avianca Group (UK) Limited, a subsidiary of the Company, as guarantor thereto, and (iv) TSA Investments Inc. S.A. ("TSA"), a subsidiary of Talma Servicios Aeroportuarios S.A. ("Talma"), as buyer thereto on March 26, 2022. Subject to customary closing conditions set forth in the SPA, as well as antitrust clearance from the Colombian competition authority, the Sellers shall transfer all their equity interests in SAI S.A.S. to TSA. SAI and Talma must remain independent actors within the Colombian ground handling market and continue to compete in the ordinary course of business until the transaction has closed.

As of December 31, 2022, the disposal Group was comprised of $9,637 in assets less $6,465 in liabilities, detailed as follows:

Carrying assets, other than cash	$	13,186
Carrying amount liabilities		(6,465)
Impairment on sale of subsidiary (1)		(3,549)
Assets held for sale of the subsidiary	**$**	**3,172**
Cash		9,410
Net Assets of the subsidiary	**$**	**12,582**

(1) Impairment on the held for sale of a subsidiary recognized in the Consolidated Statement of Comprehensive Income in discontinued operations.

For the year ended December 31, 2022, results from discontinued operations are as follows:

		December 31, 2022
Operating revenue:		
Cargo and other	$	8,333
Total operating revenue		**8,333**
Operating expenses		4,146
Total operating expenses		**4,146**
Operating profit		**4,187**
Non-Operating expenses		(1,212)
Profit before income tax		**2,975**
Income tax expense		(1,282)
Profit from discontinuing operations	**$**	**1,693**
Impairment on sale of subsidiary		(3,549)
Net loss from discontinuing operations	**$**	**(1,856)**

(14) Property and equipment, net

- Flight equipment: additions during 2022 mainly correspond to the recognition of the right of use of aircraft operating lease agreements in the amount of $1,051,778 (This amount include the acquisition of four (4) Airbus A320 spare engines in the amount of $19,860), as well as the credit notes of aircraft and projects for $(26,225); and right of use for return conditions for $225,436.

  During the period 2021, the Group recognized the right of use of aircraft operating lease agreements for $269,202.

  The main disposals as of December 31, 2022, correspond mainly to sale of aircraft of $9,774 ($8,410 net depreciation) engines for $5,349 and projects, mainly of connectivity for $5,389.

  During 2022, aircraft are reclassified from assets held for sale to property and equipment for $16,430.

- Capitalized maintenance: The main additions for the year ended December 31, 2022, correspond with major repairs (overhaul) for engines and auxiliar power unit (APU) in the amount of $58,174, fuselage in the amount of $11,044, overhaul contribution in the amount of $15,958 and Totalcare Life Agreement in the amount of $9,009.

- Other property and equipment: as of December 31, 2022, the main additions correspond to ramp equipment $6,905, tools and spares for $5,074 projects in progress for $4,308.

  The main disposals as of December 31, 2022, correspond to ramp equipment $13,788, tools and spares for $5,406 and non-Aeronautical equipment $2,666.

Reimbursement of equipment acquisition

As of December 31, 2022, the equipment acquisition reimbursement was $112,524.

(In USD thousands)

	Flight Equipment	Capitalized Maintenance	Rotable Spare parts	Reimbursement of predelivery payments	Administrative property	Others	Total
Cost							
December 31, 2021, Restated	**$ 983,241**	**$ 6,713**	**$ 149,052**	**$ 85,736**	**$ 103,713**	**$ 220,865**	**$ 1,549,320**
Additions	1,025,553	95,643	85,016	4,242	1,104	16,557	1,228,115
ROU Return Conditions	214,316	—	—	—	—	—	214,316
Disposals	(21,898)	(4,217)	(13,216)	—	(377)	(23,901)	(63,609)
Revaluation (OCI)	—	—	—	—	1,265	—	1,265
Devaluation	—	—	—	—	(8,132)	—	(8,132)
Transfers	37,245	(2)	(6,646)	(1,291)	—	(29,306)	—
Transfers to assets held for sale	(85,708)	—	—	—	—	—	(85,708)
December 31, 2022	**$ 2,152,749**	**$ 98,137**	**$ 214,206**	**$ 88,687**	**$ 97,573**	**$ 184,215**	**$ 2,835,567**
Accumulated depreciation:							
December 31, 2021, Restated	**$ 5,044**	**$ 679**	**$ 896**	**$ —**	**$ 137**	**$ 3,138**	**$ 9,894**
Additions	195,539	3,428	14,585	—	1,526	31,752	246,830
Disposals	(3,499)	(3,974)	(4,619)	—	(244)	(332)	(12,668)
ROU Return Conditions	(11,120)	—	—	—	—	—	(11,120)
Transfers	308	—	(308)	—	—	—	—
Transfers to assets held for sale	(69,278)	—	—	—	—	—	(69,278)
December 31, 2022	**$ 116,994**	**$ 133**	**$ 10,554**	**$ —**	**$ 1,419**	**$ 34,558**	**$ 163,658**
Net balances:							
December 31, 2021, Restated	**$ 978,197**	**$ 6,034**	**$ 148,156**	**$ 85,736**	**$ 103,576**	**$ 217,727**	**$ 1,539,426**
December 31, 2022	**$ 2,035,755**	**$ 98,004**	**$ 203,652**	**$ 88,687**	**$ 96,154**	**$ 149,657**	**$ 2,671,909**

(In USD thousands)

	Flight Equipment	Capitalized Maintenance	Rotable Spare parts	Reimbursement of predelivery payments	Administrative property	Others	Total
Opening Balance							
Business Combination	$ **591,737**	$ **2,772**	$ **146,197**	$ **85,736**	$ **103,713**	$ **210,528**	$ **1,140,683**
Additions	269,202	4,513	2,526	—	—	11,228	287,469
Return Conditions	126,569	—	—	—	—	—	126,569
Disposals	(2,184)	(2,655)	(482)	—	—	(80)	(5,401)
Transfers	(2,083)	2,083	811	—	—	(811)	—
December 31, 2021, Restated	$ **983,241**	$ **6,713**	$ **149,052**	$ **85,736**	$ **103,713**	$ **220,865**	$ **1,549,320**
Accumulated depreciation:							
Opening Balance	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Additions	5,118	679	1,080	—	137	3,154	10,168
Adjustment for business	—	—	—	—	—	57	57
Disposals	(74)	—	(184)	—	—	(73)	(331)
December 31, 2021, Restated	$ **5,044**	$ **679**	$ **896**	$ **—**	$ **137**	$ **3,138**	$ **9,894**
Net balance:							
December 31, 2021, Restated	$ **978,197**	$ **6,034**	$ **148,156**	$ **85,736**	$ **103,576**	$ **217,727**	$ **1,539,426**

(In USD thousands)

(15) Intangible asset and goodwill, net

As of December 31, 2022, and 2021 restated are as follows, intangible assets and goodwill, net of amortization are as follows:

	December 31, 2022	December 31, 2021, Restated
Trademarks	$ 644,141	$ 644,141
Customer Relationships	457,152	483,149
Software and webpages	100,016	118,991
Agreements (Code-share and Star Alliance)	65,173	72,475
Routes	92,561	105,444
Slots	9,506	9,506
Subtotal	**$ 1,368,549**	**$ 1,433,706**
Goodwill	1,524,638	1,524,638
Total Intangible Assets	**$ 2,893,187**	**$ 2,958,344**

(In USD thousands)

The following provides detail on intangible assets and goodwill as of December 31, 2022, and 2021 restated.

	Goodwill	Routes	Customer Relationships	Agreements (Codeshare and Star Alliance)	Trademarks	Software & Webpages	Slots	Total
Cost:								
December 31, 2021, Restated	**$ 1,524,638**	**$ 106,792**	**$ 485,218**	**$ 73,025**	**$ 644,141**	**$ 121,883**	**$ 9,506**	**$ 2,965,203**
Additions	—	—	—	—	—	14,133	—	14,133
Write-off	—	—	—	—	—	(718)	—	(718)
December 31, 2022	**$ 1,524,638**	**$ 106,792**	**$ 485,218**	**$ 73,025**	**$ 644,141**	**$ 135,298**	**$ 9,506**	**$ 2,978,618**
Accumulated Amortization:								
December 31, 2021, Restated	**$ —**	**$ 1,348**	**$ 2,069**	**$ 550**	**$ —**	**$ 2,892**	**$ —**	**$ 6,859**
Amortization for the period	—	12,883	25,997	7,302	—	32,390	—	78,572
December 31, 2022	**$ —**	**$ 14,231**	**$ 28,066**	**$ 7,852**	**$ —**	**$ 35,282**	**$ —**	**$ 85,431**
Carrying Amounts:								
December 31, 2021, Restated	**$ 1,524,638**	**$ 105,444**	**$ 483,149**	**$ 72,475**	**$ 644,141**	**$ 118,991**	**$ 9,506**	**$ 2,958,344**
December 31, 2022	**$ 1,524,638**	**$ 92,561**	**$ 457,152**	**$ 65,173**	**$ 644,141**	**$ 100,016**	**$ 9,506**	**$ 2,893,187**

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(In USD thousands)

The following provides details related to intangible assets as of December 31, 2021, Restated.

	Goodwill	Routes	Customer Relationships	Agreements (Codeshare and Star Alliance)	Trademarks	Software & Webpages	Slots	Total
Cost:								
Business Combination	1,524,638	106,792	485,218	73,025	644,141	119,748	9,506	2,963,068
Additions	—	—	—	—	—	2,135	—	2,135
December 31, 2021, Restated	**$1,524,638**	**$ 106,792**	**$ 485,218**	**$ 73,025**	**$ 644,141**	**$ 121,883**	**$ 9,506**	**$ 2,965,203**
Accumulated Amortization:								
Amortization for the period	—	495	1,929	520	—	2,892	—	5,836
Adjustment for business Combination		853	140	30	—	—		1,023
December 31, 2021, Restated	**$ —**	**$ 1,348**	**$ 2,069**	**$ 550**	**$ —**	**$ 2,892**	**$ —**	**$ 6,859**
Carrying Amounts:								
December 31, 2021, Restated	**$1,524,638**	**$ 105,444**	**$ 483,149**	**$ 72,475**	**$ 644,141**	**$ 118,991**	**$ 9,506**	**$ 2,958,344**

(In USD thousands)

Goodwill and intangible assets with indefinite useful life

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to the air transportation CGU and loyalty CGU which are also the Group's operating and reporting segments.

The carrying amount of goodwill and intangible assets with indefinite useful life allocated to the air transport and loyalty segments are as follows:

	December 31, 2022	December 31, 2021, Restated
Goodwill	$ 1,524,638	$ 1,524,638
Trademarks	644,141	644,141
Slots	9,506	9,506

As of December 31, 2022, the Group did not identify potential goodwill, intangible assets nor equipment properties impairment.

Basis for calculating recoverable amount

The recoverable amounts of CGU 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 latest Business plan approved by the Board covering a five-year period updated by current macroeconomic conditions. 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.

The assumptions used to determine the value in use of the CGU include the income from aircraft leasing contracts. Therefore, in order to carry out an adequate comparison between the carrying amount of the CGU and its recoverable amount, it is necessary to deduct the liabilities recognized for operating leases and return conditions within the analysis of the carrying amount; this is due to the fact that the cash flow includes the lease payment associated with the aircraft, as stipulated in IAS 36, paragraph 78.

Under the Board of directors approved business plan in the fourth quarter of the year. The business plan cash flows used in the value-in-use calculations reflect all restructuring of the business that has been approved by the Board and which can be executed by Management under existing agreements.

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.

(In USD thousands)

Primary assumptions used in value in use calculations are as follows:

	Air transportation December 31, 2022	Loyalty December 31, 2022
CGU carrying amount	$ 1,821,726	$ 358,164
Compound revenue growth (CAGR) during the planning period	6.43%	11.83%
Compound operating expense (CAGR) during the planning period	5.38%	9.35%
Compound Capital Expenditure rise during the planning period	4.67% to 19.07%	1.23% to 1.53%
Duration of planning period	5 years	5 years
Revenue growth p,a, after planning period	3.6%	3.6%
Operating Income after planning period	6.6%	15%
Capital expenditures after planning period	14.38%	2.25%
Business Enterprise Value	$ 2,138,911	$ 397,443
Discount rate	17%	14%

(16) Business combination

On December 1, 2021, AGIL acquired 100 percent of the issued share capital and control of AVN Flight Cayman Limited, granting its control. This acquisition has been accounted for using the acquisition method and has been included in the consolidated financial statements as of the acquisition date.

Included in the identifiable assets and liabilities acquired at the date of acquisition of AVN Flight Cayman Limited and subsidiaries are inputs, production process and an organized workforce. The Group has determined that together the acquirer inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquirer set is a business.

In accordance with IFRS 3 on business combinations, in the measurement period to retroactively adjust the provisional imports recognized at the acquisition date, December 1, 2021, and reflects the new information obtained on the facts and circumstances that existed on the date of acquisition, decreased to the measurement of those imported recognized on December 1, 2021. The following table summarizes the recognized amounts of assets acquired, and liabilities assumed at the date of acquisition:

(In USD thousands)

	AVN Flight Cayman Limited		
	As previously reported December 01, 2021	**Adjustment**	**As December 01, 2021 Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 1,069,935	$ —	$ 1,069,935
Restricted cash	82,452	1,465	83,917
Short term investments	42,636	—	42,636
Trade and other receivables, net of expected credit losses	218,476	(1,317)	217,159
Current tax assets	160,268	(6,764)	153,504
Expendable spare parts and supplies, net of provision for obsolescence **(1)**	86,963	(17,496)	69,467
Prepayments	18,320	—	18,320
Deposits and other assets	23,414	(2,861)	20,553
	1,702,464	**(26,973)**	**1,675,491**
Assets held for sale	456,657	—	456,657
Total current assets	**$ 2,159,121**	**$ (26,973)**	**$ 2,132,148**
Non–current assets:			
Deposits and other assets	27,367	1,090	28,457
Trade and other receivables, net of expected credit losses	3,020	—	3,020
Intangible assets **(2)**	1,265,833	172,597	1,438,430
Net defined benefit asset	3,004	—	3,004
Deferred tax assets	43,878	1,610	45,488
Property and equipment, net **(3)**	1,260,606	(119,980)	1,140,626
Total non–current assets	**2,603,708**	**55,317**	**2,659,025**
Fair value of assets acquired	**$ 4,762,829**	**$ 28,344**	**$ 4,791,173**
Liabilities and equity			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	$ 117,814	$ —	$ 117,814
Accounts payable **(4)**	488,475	(8,609)	479,866
Accrued expenses	18,299	—	18,299
Current tax liabilities	48,894	—	48,894
Provisions for legal claims **(5)**	72,350	(15,383)	56,967
Employee benefits	110,775	—	110,775

(In USD thousands)

Air traffic liability	572,978	—	572,978
Frequent flyer deferred revenue	150,009	—	150,009
Other liabilities	2,187	—	2,187
	1,581,781	**(23,992)**	**1,557,789**
Liabilities associated with assets held for sale	479,238	—	479,238
Total current liabilities	**$ 2,061,019**	**$ (23,992)**	**$ 2,037,027**
Non–current liabilities:			
Long–term debt	2,677,403	—	2,677,403
Provisions for return conditions	146,207	—	146,207
Employee benefits	49,699	—	49,699
Deferred tax liabilities **(6)**	333,355	(158,783)	174,572
Frequent flyer deferred revenue	262,950	—	262,950
Other liabilities	3,592	—	3,592
Total non–current liabilities	3,473,206	(158,783)	3,314,423
Fair value of liabilities assumed	**$ 5,534,225**	**$ (182,775)**	**$ 5,351,450**
Fair value of net liabilities assumed	**$ (771,396)**	**$ 211,119**	**$ (560,277)**

Measured fair values

The initial accounting for the acquisition of AVN Flight Cayman Limited has been completed at the end of the reporting period; in particular with respect to property and equipment, right of use assets, intangible assets, inventories, and the resulting impact to deferred taxes and goodwill at the closing date. The adjustments made corresponds to new information identified in the remeasurement period as established in IFRS 3. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations were completed.

(1) The fair value of aeronautical spare parts in the measurement period was modified due to their impairment obsolescence with an effect of $17,5 million.

(2) The fair value of the identifiable intangibles in the business combination was updated according to new information available obtained on the date of acquisition, with an impact on the air transportation - Aerounión Cash Generating Unit as follow: Routes$92 million, Trademarks for $45 million and Customer Relationships for $32 million.

(3) The fair value of property and equipment was updated mainly due to new information identified in the measurement period. As follows: 8 aircraft (3) A300, (2) B767, (2) A320 and (1) A319 and 12 engines for $90,3 million, rotatable for $13,2 million, other assets for $16,4 million; for a total net effect on Property and equipment for $119,9 million.

(4) The fair value o liabilities assumed in the business combination was updated due to new information available in the measurement period, modifying the fair value by $8,6 million.

(5) In the contingent liabilities assumed in the business combination, new information was identified on the probabilities of labor lawsuits of Avianca S.A, Tampa Cargo S.A.S, Avianca Costa Rica S.A and Taca International Airlines S.A that modified their fair value by $15,3 million.

(6) The changes presented in deferred taxes liability correspond to the review of temporary differences of property, plant and equipment, right of use assets, intangible assets, inventories and goodwill.

Measurements of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property and equipment	*Market comparation methods and replacement cost methods*: The valuation model considers market prices for similar items when they are available, and depreciated replacement costs when appropriated. Depreciated replacement cost reflects adjustment for physical deterioration as well as functional and economic obsolescence.
Trademarks / Trade Names ("TMTN")	*Relief from royalty method*: this method is based on the premise that ownership ship of the asset relieves the owner of the need to pay a royalty to a third party for use of the asset. Under this method, value is estimated by discounting the royalty savings as well as any tax benefits related to ownership to a present value.
Customers Relationships	*Multi-period excess earnings method*: Under this method, the net cash flow from the existing customer is calculated based on a forecast of its related cash flows, adjusting for contributory asset charges for economic returns of and on all monetary, tangible, and other intangible assets necessary to realizing in the cash flows. The final value is estimated by discounting the resulting "excess earnings" as well as any tax benefits related to ownership to a present value.
Agreements	*With-or-without method*: Under this method, a comparison is made between the prospective revenues or expenses for the business or asset with and without the asset in place. The final value is estimated by discounting the cash flow differential as well as any tax benefits related to ownership to a present value.

(In USD thousands)

Assets acquired	**Valuation technique**
Slots	*Market comparison method*: The methodology considers relevant historical data from slot transactions at comparable airports to estimate the value of slots.
Routes	*Incremental earnings method*: Under this method, profit margins generated by operating flights on the identified restricted routes are compared to normal profit margins. The incremental earnings generated by the routes are then discounted to present value and adjusted for any tax benefit related to the ownership of the asset.
Leasehold Interest	*Market comparation method*: Under this method, the contractual lease rates for the asset are compared to its market lease rates, and any differential, if observed, is discounted to present value.

Goodwill determined in the acquisition.

Subsidiary	**AVN Flight Cayman Limited Consolidated**		
	As previously reported December 01, 2021	**Adjustment**	**As December 01, 2021 Restatement**
Consideration transferred	$ 945,966	$ —	$ 945,966
Plus: Non–controlling interest	18,395	—	18,395
Plus: fair value of net liabilities assumed	771,396	(211,119)	560,277
Goodwill determined on acquisition	**$ 1,735,757**	**$ (211,119)**	**$ 1,524,638**

Goodwill arising from acquisitions is not expected to be deductible for tax purposes.

The following table summarizes the changes presented in the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income as of December 31, 2021 due to the restated of the business combination.

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(In USD thousands)

Consolidated Statement of Financial Position

	As previously reported December 31, 2021	Adjustment	December 31, 2021, Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 1,201,759	$ —	$ 1,201,759
Restricted cash **(1)**	76,572	1,465	78,037
Short term investments	42,260	—	42,260
Trade and other receivables, net of expected credit losses **(1)**	207,563	(1,317)	206,246
Current tax assets **(1)**	168,945	(6,763)	162,182
Expendable spare parts and supplies, net of provision for obsolescence **(1)**	87,264	(17,491)	69,773
Prepayments **(2)**	35,058	(10,794)	24,264
Deposits and other assets **(1, 2)**	17,919	7,933	25,852
	1,837,340	**(26,967)**	**1,810,373**
Assets held for sale	322,890	—	322,890
Total current assets	**2,160,230**	**(26,967)**	**2,133,263**
Non-current assets:			
Deposits and other assets (**1**)	35,920	1,090	37,010
Intangible assets and goodwill, net (**1**)	2,997,890	(39,546)	2,958,344
Defined benefit assets, net	14,626	—	14,626
Deferred tax assets **(1)**	42,502	1,610	44,112
Property and equipment, net (**1**)	1,659,462	(120,036)	1,539,426
Total non-current assets	**4,750,400**	**(156,882)**	**4,593,518**
Total assets	**$ 6,910,630**	**$ (183,849)**	**$ 6,726,781**
Liabilities and equity			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	$ 196,761	$ —	$ 196,761
Accounts payable (**1**)	536,852	(8,608)	528,244
Accrued expenses	22,978	—	22,978
Current tax liabilities	54,698	(1,077)	53,621
Provision for legal claims (**1**)	71,661	(15,383)	56,278
Employee benefits	89,952	—	89,952
Air traffic liability	522,872	—	522,872
Frequent flyer deferred revenue	146,694	—	146,694
Other liabilities	1,993	—	1,993
	1,644,461	**(25,068)**	**1,619,393**
Liabilities associated with the assets held	317,667	—	317,667
Total current liabilities	**1,962,128**	**(25,068)**	**1,937,060**

(In USD thousands)

Long-term debt		2,862,430		—	2,862,430
Provision for return conditions		272,817		—	272,817
Employee benefits		53,092		—	53,092
Deferred tax liabilities **(1)**		331,729		(158,783)	172,946
Frequent flyer deferred revenue		262,118		—	262,118
Other liabilities		3,416		—	3,416
Total non-current liabilities		3,785,602		(158,783)	3,626,819
Total liabilities	**$**	**5,747,730**	$	**(183,851)**	**$ 5,563,879**
Equity:					
Common shares		4		—	4
Share premium		1,145,962		—	1,145,962
Retained deficit		(12,563)		2	(12,561)
Other comprehensive income		14,954		—	14,954
Equity attributable to owners of the		**1,148,357**		**2**	**1,148,359**
Non-controlling interest (NCI)		14,543		—	14,543
Total equity		**1,162,900**		**2**	**1,162,902**
Total liabilities and equity	**$**	**6,910,630**	**$**	**(183,849)**	**$ 6,726,781**

(1) Corresponds to the impact of the remeasurment of business combination fair value at December 1, 2021.
(2) Reclassification have been made to the consolidated financial statements 2021 to be consistent with the current period presentation. Deposits and other short-term assets for $10,453 corresponding to Travel Agency Commissions that were presented previously "prepaid expenses" in the consolidated statement of financial position. The above reclassifications have no effect on the consolidated statement of cash flow.

Consolidated Statement of Comprehensive Income

		As previously reported December 31, 2021		**Adjustment**		**December 31, 2021, Restated**
Operating revenue:						
Passenger	$	258,683	$	—	$	258,683
Cargo and other		78,120		—		78,120
Total operating revenue		**336,803**		—		**336,803**
Operational expenses:						
Flight operations		6,063		—		6,063
Aircraft fuel		73,642		—		73,642
Ground operations		41,458		65		41,523
Rentals		38,073		—		38,073

(In USD thousands)

Passenger services	5,115	—	5,115
Maintenance and repairs	16,669	(4)	16,665
Air traffic	19,103	15	19,118
Selling expenses	35,792	—	35,792
Salaries, wages, and benefits	39,527	(17)	39,510
Fees and other expenses	38,385	(64)	38,321
Depreciation, amortization, and impairment	16,004	1,080	17,084
Total operating expenses	**329,831**	**1,075**	**330,906**
Operating Profit	**6,972**	**(1,075)**	**5,897**
Interest expenses	(22,919)	—	(22,919)
Interest income	1,144	—	1,144
Other financial income	4,433	—	4,433
Foreign exchange, net	(3,457)	—	(3,457)
Equity method profit	129	—	129
Loss before income tax	**(13,698)**	**(1,075)**	**(14,773)**
Income tax expense – current	(1,707)	1,077	(630)
Income tax expense – deferred	245	—	245
Total income tax expense	(1,462)	1,077	(385)
Net loss for the period	**$ (15,160)**	**$ 2**	**$ (15,158)**

(17) Debt

	December 31, 2022	December 31, 2021
Currents:		
Short-term loans and current portion of long-term	$ 80,413	$ 184,410
Short-term aircraft rentals - rights of use	126,070	3,330
Other short-term - rights of use	6,560	9,021
	$ 213,043	**$ 196,761**
Non-currents:		
Long-term debt	$ 2,306,831	$ 2,295,041
Long-term aircraft rentals - rights of use	1,428,632	524,223
Other long-term - rights of use	36,329	43,166
	$ 3,771,792	**$ 2,862,430**

Terms and conditions of the Group's outstanding obligations for the period ended December 31, 2022, and 2021, are as follows:

	December 31, 2022			
	Due through	**Weighted average interest rates**	**Nominal value**	**Carrying Amount**
Short term loans	2023	8.51%	$ 6,303	$ 6,303

(In USD thousands)

Long-term debt	2030	8.80%	$	2,516,402	$	2,380,941
Aircraft rentals	2034	10.18%		1,675,639		1,554,702
Other right of use	2038	7.16%		44,306		42,889
Total			**$**	**4,242,650**	**$**	**3,984,835**

	December 31, 2021					
	Due through	**Weighted average interest rates**		**Nominal value**		**Carrying Amount**
Short term loans	2022	7.10%	$	17,190	$	7,692
Long-term debt	2030	7.30%		2,927,227		2,471,759
Aircraft rentals	2032	9.64%		549,606		527,553
Other right of use	2038	7.20%		53,740		52,187
Total			**$**	**3,547,763**	**$**	**3,059,191**

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

		December 31, 2022		**December 31, 2021**
Aircraft	$	—	$	10,439
Corporate		2,387,244		2,469,012
Rights of use - IFRS 16		1,597,591		579,740
Total	$	**3,984,835**	**$**	**3,059,191**

Additions

Primary additions during 2022 to date correspond with the recognition of Aircraft Operating Lease Agreements right of use and the acquisition of four (4) Airbus A320 spare engines.

Bank guarantees

In order to comply with certain contractual or operating obligations, the Group has a total of $23,556 and $24,378 in guarantees issued through financial entities as of December 31, 2022, and 2021 respectively.

Covenants

As of December 31, 2022, and 2021, the Group complied with all financial covenants associated with its debt contracts.

The most significant commitments related to the financial ratios assumed by the Group is the following:

- Consolidated cash: must not be less than $400 million.

(In USD thousands)

For the Group Lifemiles Ltd. & Subsidiaries:

- Liquidity: not be less than $50 million.
- Total Leverage Ratio: cannot exceed 4.00:1.00.

Debt Collaterals

Certain Group obligations under short-term loans and long-term debt for $2,398,353 are collateralized by: Shares and Agreement of the most relevant subsidiaries of the Company, Security Agreements, receivable charges, some flow of sales for certain credit card codes, spare parts, six (6) aicraft, two airport slots: one at London Heathrow Airport (LHR) and one at John F. Kennedy Airport (JFK), intellectual Property Security Agreement of the most relevant subsidiaries of the Company, ten (10) spare engines, Deposit accounts, and a lien on AGIL's premises at the Centro Administrativo Avianca building located in Bogota, Colombia.

Notes

				Balance as of	
Issuing entities	**Instrument**	**Original currency**	**Total placed in original currency**	**December 31, 2022**	**December 31, 2021**
Avianca Midco 2 PLC	Tranche A-1 Senior Notes	USD	$ 1,111,937	$ 1,111,937	$ 1,111,937
Avianca Midco 2 PLC	Tranche A-2 Senior Notes	USD	$ 583,871	$ 583,871	$ 583,871

Issuers:	Avianca Midco 2 PLC
Guarantors:	Avianca Group (UK) Limited, Aerovías del Continente Americano S.A, Aeroinversiones de Honduras S.A, Avianca, Airlease Holdings One Ltd, America Central, America Central Corp (Canada) Corp, AV International Holdco S.A, AV International Holdings S.A, AV International Investments S.A, AVInternational Ventures S.A, AV Investments One Colombia S.A.S, AV Investments Two Colombia S.A.S, AV Loyalty Bermuda Ltd, AV Taca International Holdco S.A, Aviacorp Enterprises, S.A, Avianca Costa Rica S.A, Avianca Leasing, LLC, Avianca, Inc, Avianca Ecuador S.A, Aviaservicios, S.A, Aviateca S.A, C.R. Int'l Enterprises, Inc, Grupo Taca Holdings, Limited, International Trade Marks Agency Inc, Inversiones del Caribe, S.A, Latin Airways Corp, Latin Logistics LLC, Nicaragüense de Aviación, Sociedad Anónima LLC, Regional Express Américas S.A.S, Ronair N.V,

(In USD thousands)

Servicio Terrestre, Aéreo y Rampa S.A, Taca de Honduras, S.A. de C.V, Taca de México, S.A, Taca International Airlines S.A, Taca S.A, Tampa Cargo S.A.S. and Technical and Training Services S.A. de C.V.

Initial Issue Price:	98.24%
Initial Issue Date:	December 1, 2021
Issue Amount:	Tranche A-1 $ 1,111,937 – Tranche A-2 $ 583,871.
Interest:	The Tranche A-1 Senior Notes and Tranche A-2 Senior Notes will bear interest at a fixed rate of 9% per year.
Maturity Date:	The Tranche A-1 Senior Notes and Tranche A-2 Senior Notes will mature on December 1, 2028.

Future payments on long-term debt

The following future payments including interests in long–term debt for the period ended December 31, 2022.

All amounts are gross and undiscounted and include contractual interest payments while excluding the impact of netting agreements.

Corporate debt

	Years					
	One	Two	Three	Four	Five and later	Total
December 31, 2022	$ 213,361	$ 316,107	$ 233,658	$ 187,727	$ 2,098,438	$ 3,049,291

Aircraft rights of use

	Years					
	One	Two	Three	Four	Five and later	Total
December 31, 2022	$ 298,499	$ 304,852	$ 310,504	$ 295,411	$ 1,033,413	$ 2,242,679

Other rights of use

	Years					
	One	Two	Three	Four	Five and later	Total
December 31, 2022	$ 3,927	$ 4,999	$ 4,129	$ 3,891	$ 64,072	$ 81,018

AVIANCA GROUP INTERNATIONAL LIMITED AND SUBSIDIARIES
(England, United Kingdom)
Notes to Consolidated Financial Statements
(In USD thousands)

Changes in liabilities derived from financing activities at December 31, 2022

	January 1, 2022	New leases (1)	Financial cost	Payments (2)	Interest Payments	Others	Transferred to held for sale	Reclassifications	December 31, 2022
Short-term loans (excluding items listed below)	$ 7,692	$ —	$ 216	$ (1,389)	$ (216)	$ —	$ —	$ —	$ 6,303
Current portion of long-term credits (excluding items listed below)	176,718	—	205,161	(87,886)	(205,115)	1,911	(237)	(16,442)	74,110
Non-current portion long-term debt	2,295,041	—	—	(2,213)	(924)	(1,517)	2	16,442	2,306,831
Aircraft rentals– right of use	527,553	1,060,144	121,719	(79,408)	(76,217)	911	—	—	1,554,702
Other rentals – right of use	52,187	—	3,177	(2,263)	(3,170)	(7,042)	—	—	42,889
Total liabilities from financing activities	**$ 3,059,191**	**$ 1,060,144**	**$ 330,273**	**$ (173159)**	**$ (285,642)**	**$ (5,737)**	**$ (235)**	**$ —**	**$ 3,984,835**

(1) Corresponds primarily to sixty-six (66) Airbus A320, A319, B787, A330 operating aircraft, four (4) Airbus A320 spare engines and additions of incremental rent and IBR modification.

(2) The cash flow difference corresponds to credit card for $6,302.

(In USD thousands)

Changes in liabilities derived from financing activities at December 31, 2021

	Opening Balance	Business Combination	New leases (1)	Financial cost	Payments	Interest Payments	Others	Reclassifications	December 31, 2021
Short-term loans (excluding items listed below)	$ —	$ 18,767	$ —	$ 83	$ (1,577)	$ (83)	$ —	$ (9,498)	$ 7,692
Current portion of long-term credits (excluding items listed below)	—	77,566	—	6,580	(2,738)	(7,478)	(1,106)	103,894	176,718
Non-current portion long-term debt	—	2,396,388	—	15,944	(10,090)	(758)	1,257	(107,700)	2,295,041
Aircraft rentals– right of use	—	250,301	268,545	—	(350)	(2,277)	(1,970)	13,304	527,553
Other rentals – right of use	—	52,195	—	278	(324)	(268)	306	—	52,187
Total liabilities from financing activities	**$ —**	**$ 2,795,217**	**$ 268,545**	**$ 22,885**	**$ (15,079)**	**$ (10,864)**	**$ (1,513)**	**$ —**	**$ 3,059,191**

(1) During 2021, the Group recognized lease liability in the amount of $268,545 for twenty-two (22) Airbus A320, A319 and A330F. The Group paid liabilities associated with assets held for sale in the amount of $161,571, comprised of $154,811 in capital and $6,760 in interest, during the period from September 27, 2021 (date of incorporation) to December 31, 2021.

(In USD thousands)

(18) Accounts Payable

Accounts payable as of December 31, 2022, and December 31, 2021, Restated, are as follows:

		December 31, 2022		December 31, 2021, Restated
Currents:				
Trade accounts payable	$	197,089	$	263,353
Non-income taxes (1)		195,784		168,019
Social charges		1,389		417
Other accounts payable (2)		35,592		96,423
Total	**$**	**429,854**	**$**	**528,212**

(1) Corresponds to taxes and fees charged to passengers that will be paid to the government authority such as airport taxes, exit and entry taxes to the countries, etc. Furthermore, to VAT and VAT withholdings.

(2) Other accounts payable mainly include provisions for travel expenses, provisions for fees and accrued interest. Also, advance payments for the purchase of motors and project related to aircrafts.

(19) Accrued Expenses

Accrued Expenses as of December 31, 2022, and 2021, are as follows:

		December 31, 2022		December 31, 2021
Operational expenses (1)	$	54,577	$	22,978
Total	**$**	**54,577**	**$**	**22,978**

(1) Corresponds mainly to travel expenses, fuel, components aeronautical, aircraft rental, air navigation, ground services and passenger services. In 2022, accrued expenses increased mainly for provision in travel expenses, fuel, components aeronautical and aircraft rental.

(20) Provisions for return conditions

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

Provisions for return conditions as of December 31, 2022, and 2021 are as follows:

(In USD thousands)

	December 31, 2022	December 31, 2021
Current	$ 5,522	$ —
Non-current	553,986	272,817
Total	**$ 559,508**	**$ 272,817**

Changes in provisions for return conditions as of December 31, 2022, and 2021 are as follows:

	December 31, 2022	December 31, 2021
Balances at the beginning of the year	$ 272,817	$ —
Business Combination	—	146,207
Recognition of provisions	223,481	126,610
Present value adjustment	63,210	—
Balances at the end of the year	**$ 559,508**	**$ 272,817**

(21) Employee benefits

	December 31, 2022	December 31, 2021
Defined benefit plan	$ 51,186	$ 62,663
Other benefits - short term	69,894	79,024
Other benefits - long term	828	1,357
Total	**$ 121,908**	**$ 143,044**
Current	$ 81,687	$ 89,952
Non-Current	40,221	53,092
Total	**$ 121,908**	**$ 143,044**

The Group sponsors defined benefit pension plans which require contributions to be made to separately administered funds. The Group also provides certain additional post-employment benefits. These benefits are unfunded as of December 31, 2022. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit cost method.

Actuarial gains and losses for defined benefit plans are recognized in full during the period in which they occur within other comprehensive income.

In 1993 the pension plan in Colombia changed from a defined benefit plan to a defined contribution plan. The Colombian government defined a transition regime to maintain the conditions of pilots and co-pilots included in the pension plan prior to April 01, 1994, this transition regime is administered by CAXDAC.

According to the above, the group's obligation is recognized and is mainly regulated by Law 860 of 2003, Decree 2210 of 2004 and Decree 1269 of 2009.

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

As of December 31, 2022, CAXDAC defined Benefit obligation correspond to a short-term obligation commutable in 2023, because of the above a discount rate of 4% based on Decree 2783/2001 must be used, Decree 1730 of 2001 and Circular 10 of 2009 of the Superintendencia de Puertos y Transporte.

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

As of December 31, 2021, the defined benefit liability is comprised of the present value of the defined benefit obligation using a discount rate based on government bonds for each country where the respective benefit plan is established, less the fair value of plan assets out of which the obligations are to be settled.

Under CAXDAC defined Benefit obligation, the Group has 2 plans related to the subsidiary Tampa Cargo S.A.S. and Aerovías del Continente Americano S.A. (Avianca). As of December 31, 2022, the transfers to CAXDAC related to the plan of Aerovías del Continente Americano S.A. exceeds the present value of Avianca S.A. defined benefit obligation by US$2,102.

The Assets Plan is managed by CAXDAC and corresponds to the transfers paid by Avianca S.A. and Tampa Cargo S.A.S. The companies must transfer the value of its obligation to the CAXDAC Pension Fund and for this purpose they will have the deadline to make such payments until 2023, date from which CAXDAC will become responsible of the obligation, in accordance with the Colombia´s regulation.

Due to the local regulations of two of the Group's CAXDAC defined benefit plans, the Group is required to make contributions to a fund that is managed externally. The amount of annual contributions is based on the following:

- Basic contribution for the year: equal to the expected annual pension payments.
- Additional contribution for the year (if required): equal to the amount necessary to equal the actuarial liability under local accounting standards and the plan assets in the year 2023 (determined by actuarial calculation).

(In USD thousands)

For the pension plans for ground personnel in 2008, the Company entered into a commutation agreement with Compañía Aseguradora de Vida Colseguros S.A. (Insurance Company) in connection with the pension liability of two of the Company's pension plans.

As of December, 2022, there are 32 beneficiaries which have not been commuted. Consequently, the Company estimates through an actuarial calculation the pension liability of these beneficiaries.

		December 31, 2022		December 31, 2021
Fair value of plan assets	$	157,261	$	186,338
Present value of the obligation		(155,159)		(171,712)
Total assets for employee benefits	**$**	**2,102**	**$**	**14,626**
Fair value of plan assets	$	4,372	$	5,208
Present value of the obligation		(55,558)		(67,871)
Total liability for employee benefits	**$**	**(51,186)**	**$**	**(62,663)**

Pension assets

As of December 2021, and 2022, the value of the CAXDAC pension asset plan becomes greater than the obligation.

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 - period ended December 31, 2022 (recognized in wages, salaries and benefits)		**CAXDAC Benefit plan**		**Defined benefit plan**		**Other benefits**
Current cost of the service	$	—	$	945	$	1,250
Cost of interest on obligations for benefits, net		11,785		821		3,200
Asset plan interest income		(15,704)		27		—
Net benefit expense	**$**	**(3,919)**	**$**	**1,793**	**$**	**4,450**

(In USD thousands)

Net benefit expense - period ended December 31, 2021 (recognized in wages, salaries and benefits)	**CAXDAC Benefit plan**	**Defined benefit plan**	**Other benefits**
Current cost of the service	$ —	$ 100	$ 165
Cost of interest on obligations for benefits, net	1,212	73	336
Asset plan interest income	(993)	(2)	—
Net benefit expense	**$ 219**	**$ 171**	**$ 501**

Changes in the present value of defined benefit obligation as of December 31, 2022, are as follows:

	CAXDC Tampa Benefit plan	**Defined benefit obligations**	**Other benefits**	**Total**
Benefit obligations as of December 31, 2021	**$ 7,464**	**$ 19,960**	**$ 40,447**	**$ 67,871**
Cost of interest and cost of service	489	1,766	4,450	6,705
Employer-paid benefits	(577)	(821)	(5,853)	(7,251)
Remeasurement of defined benefit liabilities	749	(1,384)	(11,197)	(11,832)
Reclassification to defined benefit obligation	(1,301)	8,123	—	6,822
Translation Adjustment	(1,054)	(1,507)	(4,196)	(6,757)
Benefit obligations as of December 31, 2022	**$ 5,770**	**$ 26,137**	**$ 23,651**	**$ 55,558**
Fair value of plan assets	(4,221)	(151)	—	(4,372)
Total employee benefits	**$ 1,549**	**$ 25,986**	**$ 23,651**	**$ 51,186**
Current	$ 1,549	$ 6,936	$ 3,077	$ 11,562
Non-current	—	19,050	20,574	39,624
Total	**$ 1,549**	**$ 25,986**	**$ 23,651**	**$ 51,186**

Changes in the present value of defined benefit obligation as of December 31, 2021, are as follows:

(In USD thousands)

	CAXDC Tampa Benefit plan	Defined benefit obligations	Other benefits	Total
Opening balance	$ —	$ —	$ —	$ —
Business Combinations	7,728	19,633	41,197	68,558
Period cost	49	172	501	722
Benefits paid by employer	(8)	(167)	(260)	(435)
Remeasurement of defined benefit liability	(239)	226	(1,097)	(1,110)
Translation Adjustment	(66)	96	106	136
Benefit obligations as of December 31, 2021	**$ 7,464**	**$ 19,960**	**$ 40,447**	**$ 67,871**
Fair value of plan assets	(5,060)	(148)	—	(5,208)
Total employee benefits	**$ 2,404**	**$ 19,812**	**$ 40,447**	**$ 62,663**
Current	$ 1,092	$ 5,630	$ 3,178	$ 9,900
Non-current	1,312	14,182	37,269	52,763
Total	**$ 2,404**	**$ 19,812**	**$ 40,447**	**$ 62,663**

	Benefit plan CAXDAC Avianca
Benefit obligations as of December 31, 2021	$ **171,712**
Cost of interest for the period	11,296
Employer-paid benefits	(14,587)
Remeasurement of defined benefit liabilities	17,741
Reclassification to defined benefit obligation	(6,822)
Translation Adjustment	(24,181)
Benefit obligations as of December 31, 2022	$ **155,159**
Fair value of plan assets	(157,261)
Total employee benefits	**(2,102)**
Current	(2,102)
Total	$ **(2,102)**

(In USD thousands)

	Benefit plan CAXDAC Avianca
Opening balance	$ —
Business combination	178,904
Period cost	1,162
Benefits paid by employer	(2,037)
Remeasurements of defined benefit liability	(8,671)
Translation Adjustment	2,354
Obligations for benefits as of December 31, 2021	**171,712**
Fair value of plan assets	(186,338)
Total employee benefits	**$ (14,626)**
Non-current	(14,626)
Total	**$ (14,626)**

Changes in the fair value of plan assets are as follows:

		Defined benefit plan
Fair value of plan assets as December 31, 2021	$	191,546
Interest income on plan assets		15,677
Return on plan assets higher / (lower) than projected		(24,131)
Employee contributions		23,765
Benefits paid		(13,210)
Translation adjustment		(32,014)
Fair value of plan assets as December 31, 2022	**$**	**161,633**

		Defined benefit plan
Fair value of plan assets at opening balance	$	—
Business Combination		187,000
Interest income on plan assets		993
Remeasurement of interest assumptions		4,352
Employer contributions		(1,931)
Benefits paid		(77)
Exchange differences		1,209
Fair value of plan assets as December 31, 2021	**$**	**191,546**

For the year ended December 31, 2022, and 2021 actuarial (losses)/gains of ($30,040) and $12,954 respectively were recognized in other comprehensive income:

(In USD thousands)

		December 31, 2022		December 31, 2021
Actuarial (losses)/gains recognized in other comprehensive income	$	(5,909)	$	8,602
Adjustment in return on plan assets		(24,131)		4,352
(Losses) Gain recognized in other comprehensive income	**$**	**(30,040)**	**$**	**12,954**

The assets of the plan correspond to net funds transferred to CAXDAC (Caja de Auxilios y de Prestaciones de ACDAC), which is responsible for managing the pilots' pension plan. The assets guarded by CAXDAC are segregated into separate accounts corresponding to each contributing company. In addition, plan assets include a portion related to the ground crew pension plan.

The main assumptions (adjusted for inflation) used to determine the liability for pensions and post-retirement medical benefits for the Group's plans are shown below:

	December 31, 2022	December 31, 2021
Discount rate for all plans	8.74%	8.71%
Caxdac	4.00%	8,75%
Others Colombia	12.98%	8,75%
Other	9,25%	8,63%
Price inflation	3.00%	7.13%
Future salary increases	3.46%	3.00%
Pilots	4.50%	4.00%
Cabin crew	4.00%	4.00%
Other employees	4.00%	4.00%
Future pensions increase	3.00%	3.11%
Healthcare cost increase	4.50%	4.50%
Ticket cost increase	3.00%	3.00%
Education costs increase	3.00%	3.00%
Rate of turnover	2.56%	2.56%

The main categories of plan assets expressed as a percentage of the fair value of total plan assets are as follows.

(In USD thousands)

	December 31, 2022	**December 31, 2021**
Equity securities	44%	46%
Debt securities	18%	14%
Domestic corporate bonds	34%	32%
Foreign government corporate bonds	2%	2%
Others	2%	6%

Equity securities comprise investments in Colombian entities with a credit rating of between AAA and BBB, Debt securities include investments in Colombian government bonds, in banks and in Colombian public and private entities.

The following are the expected payments or contributions to the defined benefit plan in future years:

	December 31, 2022
Short term	$ 11,562
Long term	39,624
	$ 51,186

The average duration of the benefit plan obligation as of December 31, 2022, is 8,57 years.

Sensitivity analysis

The calculation of defined benefit obligations is sensitive to the aforementioned assumptions. from this analysis, the CAXDAC pensions plan of Avianca S.A. and Tampa Cargo S.A.S is excluded because the assumptions are under local regulation.

The following table summarizes how the impact of the defined benefit obligations at the end of the period would have increased (decreased) as a result of a change in the respective assumptions:

	0,5% increase	**0,5% decrease**
Discount rate	(1,191)	1,281
Salary increases rate	705	(673)
Mortality rate	(3)	(12)
Health care cost	565	(519)

(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 and the UATP (Universal Air Travel Plan) that includes the process implemented by the reimbursement center and travel agencies to make refunds directly to your account to reissue new tickets. 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.

(In USD thousands)

The balance as of December 31, 2022, and 2021 are as follows.

	December 31, 2022		December 31, 2021	
Air traffic liability (1)	$	589,825	$	522,872
Miles deferred revenue (2)		165,165		146,694
Current	**$**	**754,990**	**$**	**669,566**
Miles deferred revenue	$	289,847	$	262,118
Non–current	**$**	**289,847**	**$**	**262,118**

(1) Non-Refundable or restricted tickets expire on the date of the intended trip, unless special situations related with medical, or force majeure reasons requested by customer notification before the scheduled travel date. In case of non-restricted fares unused tickets are expected to expire and revenue is recognized based on historical data and experience, supported by a third-party valuation specialist to assist management in this process.

(2) During 2022 the breakage estimates decrease from 20% to 16%, mainly because of the Revenue-Bases Accrual Methodology and changes to Avianca's business model, as a result, many LifeMiles members who accrued Program miles in the past, will no longer accrue or accrue less miles going forward. The impact was $89,626 in the annual income.

(23) Other Liabilities

The other liabilities as of December 31, 2022, and 2021, are as follows:

	December 31, 2022		December 31, 2021	
Deferred income	$	—	$	2,752
Others		376		2,135
Derivative instruments		—		522
Total	**$**	**376**	**$**	**5,409**

(In USD thousands)

	December 31, 2022	December 31, 2021
Current	$ 275	$ 1,993
Non-current	101	3,416
Total	**$ 376**	**$ 5,409**

(24) Equity and Other Comprehensive Income ("OCI") Reserves

	December 31, 2022	December 31, 2021
Authorized Actions	40,000,000	40,000,000
Common shares issued and paid	39,210,000	39,210,000

The nominal value per share is $0.0001 Expressed in cents.

Common shares

Holders of these shares are entitled to dividends as declared from time to time. As of the issue date none of the shareholders owns a percentage greater than 27% of the Company capital. Therefore, there are no controlling shareholders.

Issue of ordinary shares

On December 1st, 2021, the general meeting of shareholders approved the issue of 31,538,940 ordinary shares at a price of USD$0.0001 per share generating an additional paid in capital of $918,088. During December 2021, 1,109,860 shares were also issued as a result of a new investment, generating an additional paid in capital of $26,425.

Additionally, in December 2021, 6,561,200 ordinary shares were issued because of the exercise of warrant instruments arising from the Chapter 11 process at a price of USD$0.0001 per share, generating an additional paid in capital of $201,449.

Under the Reorganization Plan, the Company granted in favor of the unsecured creditors ("General Unsecured Avianca Claims" or "GUCs") the Unsecured Claimholder Equity Package that corresponds to (1) the Unsecured Claimholder Equity Pool and (2) a warrant instrument convertible into shares (GUCs Warrant Instrument). The conversion of the Equity Package is subject to the occurrence of certain events.

According to the Unsecured Claimholder Equity Pool and GUCs Warrant Instrument, the Company committed to issue and subscribe up to a total of approximately 790,000 common shares and 2,105,263 common shares, respectively in favor of the GUCs. As of the date hereof, no event that would give rise to the exercise of this instrument has occurred.

On March 31, 2022, a reorganization transaction was implemented by means of which Investment Vehicle 1 Limited (“IV1L”), a new company, incorporated in the Cayman Islands and tax resident in England and Wales, was interposed between AGIL and its shareholders (the “Reorganization Transaction”).

Pursuant to the Reorganization Transaction, the shareholders of AGIL became shareholders of IV1L, which took the position as the new holding company of the Avianca group.

As of December 31, 2022 IV1L is AGIL’s sole shareholder.

Other Comprehensive Income (“OCI”) Reserves

The movement of other comprehensive income from December 31, 2022, and 2021 is as follows:

(In USD thousands)

		Attributable to owners of the Company							
	Hedging reserves (1)	Fair value reserves (2)	Reserve related to actuarial gains and losses (3)	Income Tax of reserve related to actuarial gains and losses (4)	Revaluation and other reserves (5)	Currency translation effect (6)	Total	NCI	Total OCI
As of December 31, 2021	**$ 194**	**$ (11)**	**$ 14,133**	**$ 638**	**$ —**	**$ —**	**$ 14,954**	**$ (1,255)**	**$ 13,699**
Other results comprehensive (loss)	(194)	(2,019)	(30,415)	(740)	1,265	(4,388)	(36,491)	385	(36,106)
As of December 31, 2022	**$ —**	**$ (2,030)**	**$ (16,282)**	**$ (102)**	**$ 1,265**	**$ (4,388)**	**$ (21,537)**	**$ (870)**	**$ (22,407)**

(1) Hedging Reserves

The hedging reserve is comprised of 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.

(2) Fair value reserves

The fair value reserve is comprised of the cumulative net change in the fair value through OCI financial assets.

(3) Reserve relating to actuarial gains and losses

Comprised of 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 and other reserves

Relates to the revaluation of administrative buildings and properties in San Salvador. The revaluation reserve is adjusted for increases or decreases in the fair value of these properties.

(6) Foreign currency translation differences

Represents the effect of the translation from the functional currency COP, mainly for the company Servicios Aeroportuarios Integrados SAI.

The following provides an analysis of items reported within the 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:

	December 31, 2022	**December 31, 2021**
Cash flow hedges:		
Reclassification during the period		
Effective valuation of cash flow hedged	$ (194)	$ 194
	$ (194)	**$ 194**

(In USD thousands)

Fair value reserves:		
Valuations of investments in fair value with changes in OCI	$ (2,019)	$ (11)
	$ (2,019)	**$ (11)**

(25) Non-controlling interest (NCI)

The information related to each of the subsidiaries of the Group that has material NCI as of December 31, 2022, and 2021 respectively, is summarized below:

As of December 31, 2022

	Taca International Airlines S.A.	Avianca Costa Rica S.A.	Other individually subsidiaries	Total
Percentage non-controlling Interest	**3.17%**	**7.58%**		
Assets net	$ 523,337	$ 21,114	$ 2,856,209	$ 3,400,660
Liabilities net	(534,504)	(18,968)	(2,831,049)	(3,384,521)
Net assets	**(11,167)**	**2,146**	**25,160**	**16,139**
Net profit (loss)	(602)	615	1,198	1,211
Other comprehensive income	$ (132)	$ 235	$ 282	$ 385

As of December 31, 2021

	Taca International Airlines S.A.	Avianca Costa Rica S.A.	Other individually subsidiaries	Total
Percentage non-controlling Interest	**3.17%**	**7.58%**		
Business Combinations	$ 6,026	$ 3,572	$ 8,797	$ 18,395
Net assets	(474)	(3,305)	(73)	(3,852)
Total	**$ 5,552**	**$ 267**	**$ 8,724**	**$ 14,543**
Net profit (loss)	(42)	(2,536)	(19)	(2,597)
Other comprehensive income	$ (432)	$ (769)	$ (54)	$ (1,255)

(26) Derivative instruments

Financial instruments recognized as hedging instruments at fair value included within other comprehensive income as of December 31, 2022 and 2021 are as follows:

(In USD thousands)

	December 31, 2022	December 31, 2021
Cash flow hedges – liabilities		
Interest rate	$ —	$ 522
		522
Total	**$ —**	**$ 522**

As of December 31, 2021, The Group adquired call options of jet fuel not exercised for $14,045 close in 2022 and recognized in fuel expenses for the same amount. As of December 31, 2022, there are no hedging instruments liabilities.

(27) Fair value measurements

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

Quantitative disclosures of fair value measurement hierarchy for assets:

	Fair value measurement using			
Assets measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets of the benefits plan (note 21)	—	161,633	—	161,633
Airbus aircraft and engines held for sale (note 13)		16,430	—	16,430
Investments (note 7)	—	44,843	—	44,843
Revalued administrative property (note 14)	—	—	96,154	96,154

Quantitative disclosures of fair value measurement hierarchy for liabilities:

	Fair value measurement using			
Liabilities measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Liabilities for which fair values are disclosed				
Short–term borrowings and long–term debt (note 6.h)	—	2,155,750	—	2,155,750

(In USD thousands)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2021:

Quantitative disclosures of fair value measurement hierarchy for assets:

	Fair value measurement using			
Assets measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets of the benefits plan (note 21)	$ —	$ 191,546	$ —	$ 191,546
Investments (note 7)	$ —	$ 42,260	$ —	$ 42,260
Revalued administrative property (note 14)	$ —	$ —	$ 103,576	$ 103,576

Quantitative disclosures of fair value measurement hierarchy for liabilities:

	Fair value measurement using			
Liabilities measured at fair value	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservab le inputs (Level 3)**	**Total**
Interest rate derivatives (Note 26)	$ —	$ 522	$ —	$ 522
Liabilities for which fair values are disclosed				
Short–term borrowings and long–term debt (Note 17)	$ —	$ 3,059,191	$ —	$ 3,059,191

Fair values hierarchy

The different levels have been defined as follows:

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

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

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

For assets and liabilities that are recognized within the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in hierarchy by re–assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

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

(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.

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

Valuation technique and significant unobservable entries

As of December 31,2022, and 2021 the following table shows the valuation technique used to measure the fair value of the administrative property, as well as the unobservable investment used.

December 31,2022

Country	Valuation technique	Significant unobservable entries (In dollars)
El Salvador	The criteria for valuing the assets object of this offer were the fair value defined by IFRS (international financial reporting standards), as the value that corresponds to	Square meter prices: \$21,49 Total prices rental: \$181,850.19

December 31,2022

Country	**Valuation technique**	**Significant unobservable entries (In dollars)**
	the price that would be received for selling an asset or paid to transfer a liability in a transaction, tender, orderly and mutual among duly informed market participants and on a specific date.	
Colombia	Market comparison approach: a method of assessing property by analyzing the prices of similar properties sold in the past and then making adjustments based on differences between the properties and the relative age of the other sale.	Expected market rental growth: 5% Appreciation or depreciation of the Colombian peso against the US dollar: 21%

December 31,2021

Country	**Valuation technique**	**Significant unobservable entries (In dollars)**
El Salvador	The criteria for valuing the assets object of this offer were the fair value defined by IFRS (international financial reporting standards), as the value that corresponds to the price that would be received for selling an asset or paid to transfer a liability in a transaction, tender, orderly and mutual among duly informed market participants and on a specific date.	Square meter prices: $18,57 Total prices rental: $197,539.01
Colombia	Market comparison approach: a method of assessing property by analyzing the prices of similar properties sold in the past and then making adjustments based on differences between the properties and the relative age of the other sale.	Expected market rental growth: 5% Appreciation or depreciation of the Colombian peso against the US dollar: 16%

(In USD thousands)

(28) Income tax expense and other taxes

	December 31, 2022	December 31, 2021, Restated
Current income tax – assets	$ 83,637	$ 82,264
Other current taxes		
Current VAT – assets	85,821	56,491
Other current taxes	6,797	23,427
Total other current taxes	92,618	79,918
Total current taxes – assets	**$ 176,255**	**$ 162,182**
Current income tax – liabilities	**$ (6,607)**	**$ (49,451)**
Others	**(3,496)**	**(4,170)**
Total Current income tax – liabilities	**$ (10,103)**	**$ (53,621)**

The Group is in the process of analyzing the impact of the Global Minimum Tax taking into account that the UK is planning its implementation starting January 1, 2024

Components of income tax expense

Income tax expense for the year ended December 31, 2022, and 2021 restated is comprised of the following:

Consolidated statement of comprehensive income

	December 31, 2022	December 31, 2021, Restated
Current income tax:		
Current income tax charge	$ (10,112)	$ (630)
Current income tax charge discontinued operations	1,282	—
Subtotal	**$ (8,830)**	**$ (630)**
Deferred tax expense:		
Relating to origination and reversal of temporary differences	1,512	245
Subtotal	**1,512**	**245**
Income tax expense reported in the income statement	**$ (7,318)**	**(385)**

Amounts recognised in OCI

	December 31, 2022	December 31, 2021
Items that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment	$ (1,187)	$ 720
Remeasurements of defined benefit liability (asset)	457	(158)
	$ (730)	**$ 562**

(In USD thousands)

Amounts recognised in equity

There are not amounts relating to current and deferred taxes recognized directly in equity.

Reconciliation of the tax effective rate

			December 31, 2022
Loss after tax from continuing operations		$	**(320,438)**
Income tax expense			7,318
Loss before tax from continuing operations		$	**(313,120)**
Tax using the company´s domestic tax rate	33%		(103,330)
Non temporary differences	6.07%		(19,011)
Losses in non-taxable jurisdictions	(15.82%)		49,532
Period tax losses without deferred tax	(27.38%)		85,717
Others	1.79%		(5,590)
	(2.34%)	**$**	**7,318**

Movement in deferred tax balances

Concepts		**December 31, 2022**		**December 31, 2021, Restated**
Accounts payable	$	1,239	$	1,589
Provisions		2,666		12,107
Loss carry forwards		15,289		19,032
Leases- IFRS 16		5,785		—
Other		1,955		(1,494)
Aircraft maintenance		(7,864)		(16,350)
Non-monetary items		(16,820)		(2,487)
Intangible assets		(130,534)		(141,231)
Net deferred tax assets / (liabilities)	**$**	**(128,284)**	**$**	**(128,834)**

Deferred tax assets	$	27,397	$	44,112
Deferred tax liabilities		(155,681)		(172,946)
Net deferred tax assets / (liabilities)	**$**	**(128,284)**	**$**	**(128,834)**

(In USD thousands)

Reconciliation of deferred tax assets net

Concepts	December 31, 2022
As of December 31, 2021	**$ (128,834)**
Recognized in profit and loss	1,512
Recognized in other comprehensive income	(730)
Conversion effect	(232)
As of December 31, 2022	**$ 128,284**

Unrecognized deferred tax liabilities

There are temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognized, due to the exception allowed by paragraphs 39 and 44 of IAS 12.

Unecognized deferred tax assets.

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom:

	December 31, 2022	December 31, 2021, Restated
Deductible temporary differences	$ 45,630	$ —
Tax losses	256,473	273,662
	$ 302,103	**$ 273,662**

Tax losses carried forward

Tax losses were realized by the subsidiaries in Colombia, Costa Rica and Ecuador. Currently, tax losses in Colombia do not expire, in Costa Rica they expire in 3 years and in Ecuador in 12 years.

Tax rates

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

(In USD thousands)

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

(*) Aerovias del Continente Americano S.A. – Avianca S.A. subscribed a legal stability contract which sets a tax rate of 33% for this company only. The tax rate valid for fiscal year 2021 was 31%.

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

Uncertainty over income tax treatments

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

(29) Provisions for legal claims

As of December 31, 2022, and 2021, the Group has been involved in various lawsuits and legal actions that arise through normal commercial activities. Of the total lawsuits and legal actions, Management has calculated a probable loss of $47,124 and $56,278, respectively. These lawsuits are reflected in the consolidated financial statements position under the "Provision for legal claims" section.

Changes in litigation provisions during the year ended December 31, 2022 and 2021, Restated are as follows:

(In USD thousands)

	December 31, 2022	December 31, 2021, Restated
Balances at the beginning of the period	56,278	$ —
Business combination	—	56,967
Provisions constituted (1)	10,756	2,327
Provisions reverse (2)	(12,892)	(1,520)
Lawsuits deposits	(5,435)	—
Provisions used	(1,583)	(1,496)
Balances at the end of the period	**47,124**	**56,278**

(1) During the year ended December 2022, were recognized $6,193 for the net present value of claims, mainly labor and consumer protection.
(2) Corresponds mainly to changes in probabilities of contingent liabilities of labor lawsuits.

Certain processes are contingent liabilities and are therefore classified as potential future obligations and are subsequently categorized as possible. Based on plaintiffs' claims for the period ended December 31, 2022, and December 31, 2021, these contingencies totaled $163,155 and, $164,310 respectively. Certain losses that could arise from these litigations will be covered by insurance or with funds provided by third parties. The judicial processes resolved with said forms of payment are estimated at $16,447 as of December 31, 2022, and $18,736 for December 31, 2021.

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

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

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

In February 2020, the Attorney General of Colombia served Avianca with a warrant to inspect its offices in order to collect information related to this investigation.

The Colombian Superintendence of Companies and the Attorney General of Colombia have sent several requests of information. As has been its practice, the Company cooperated and will continue to cooperate with all pertinent authorities.

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

To the Company´s knowledge and as of the date hereof, the Colombian government investigation described above remains open. Formally, no employee or collaborator related to the company has been linked to the investigations conducted by the Colombian authorities.

The company has presented itself as a injured party and has not been formally recognized as such, since this is done at the indictment hearing, in the event of reaching such instance. The Colombian Attorney General's Office has not made an express pronouncement on the company's status as a injured party.

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

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

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

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

(In USD thousands)

The company has been authorized to act as a injured by the Attorney General's Office. Formal recognition as a injured occurs at the indictment hearing if it is reached.

SIC investigation into the acquisition of the Airlines Viva

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

The Superintendency argues that the (i) acquisition of economic rights of Viva by Investment Vehicle 1 Limited entails – in and of itself – the acquisition of control, and, thus, required clearance by the Aerocivil; and (ii) separation of political and voting rights is not real.
Remedies for the investigation to be dismissed were offered on January 16, 2022, and defense arguments were filed on January 17, 2022 arguing that (a) the deal was structured on the basis of the hold separate theory that is expressly allowed per Colombian merger control regulations and has been consistently recognized by antitrust authorities worldwide; and (b) there is evidence of the fact that the airlines have been acting independently, and have not incurred in any collusion or coordination activities.

The investigation is still ongoing, and the Superintendency of Industry of Commerce has not notified Avianca of updates regarding the remediesoffer and the defense arguments. It is not possible to predict the outcome of the investigation at this stage.

(30) Future aircraft leases payments

The Group has one hundred twenty-seven (127) aircraft that are under operating leases for an average lease term of 70 months. Operating leases can be renewed, in accordance with the Administration's business plan. The following is the summary of the future commitments of operating leases:

	Aircraft
Less than one year	$ 323,191
Between one and five years	1,131,094
More than five years	720,664
	$ 2,174,949

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

(In USD thousands)

Future aircraft lease payments are based on the original contracts. It is important to note that certain lease payments are related to Power by the Hour contracts wherein the Group pays based on aircraft hours flown.

Avianca Group International has forty-nine (49) spare engines that are under operating leases to support its aircraft fleet of A320, A330, A300 and B767 Families. The following is a summary of future operating lease commitments:

	Aircraft
Less than one year	$ 9,849
Between one and five years	22,612
More than five years	11,357
	$ 43,818

The value of payments recognized as expenses is:

	December 31, 2022	For the Period from September 27, 2021 (Date of incorporation) to December 31, 2021
Leases minimum payments	$ 225,343	$ 38,073

(31) Acquisition of aircraft

In accordance with the agreements in effect, future commitments related to the acquisition of aircraft and engines as of December 31, 2022, as follows:

	Less than a year	1-3 years	3-5 years	More of 5 years	Total
Aircraft and engine acquisition commitments	$ 22,463	$ 458,355	$ 1,651,440	$ 2,786,538	$ 4,918,796

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

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

(In USD thousands)

(32) Dividends

The Group did not decree or pay dividends during the year ended December 31, 2022.

(33) Operating Revenue

Operating revenues for the year ended December 31, 2022, and for the period from September 27, 2021 (Date of incorporation) to December 31 are as follows:

	For the year ended 31 December, 2022	Percentage	For the Period from September 27, 2021 (Date of incorporation) to December 31, 2021	Percentage
Domestic				
Passengers	$ 1,866,129	47%	$ 158,397	47%
Cargo and mail	382,458	9%	31,830	10%
	2,248,587	**56%**	**190,227**	**57%**
International				
Passengers	1,266,432	31%	100,286	30%
Cargo and mail	432,416	11%	35,188	10%
	1,698,848	**42%**	**135,474**	**40%**
Others (1)	100,421	2%	11,102	3%
Total operating income	**$ 4,047,856**	**100%**	**$ 336,803**	**100%**

(1) Other Operating Income

	For the year ended 31 December, 2022	For the Period from September 27, 2021 (Date of incorporation) to December 31, 2021
Frequent flyer program	$ 35,378	$ 3,689
Land operations (a)	11,627	1,629
Maintenance	6,410	2,498
Others (b)	47,006	3,286
	$ 100,421	**$ 11,102**

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

(In USD thousands)

(b) Corresponds mainly to non-operating income, refunds, recovery of provisions, and administrative fees.

Contract balances

The following table provides information on accounts receivable, assets and liabilities of contracts with customers.

	Notes	December 31, 2022	December 31, 2021
Net of accounts receivable	8	$ 221,332	$ 185,124
Prepaid compensation clients	11	1,162	1,232
Air traffic responsibility	22	589,825	522,872
Deferred frequent flyer income	22	455,012	408,812

(34) Subsequent Events

On 1 February 2023 the board of directors of AGIL executed the sale of Servicios Aeroportuarios Integrados SAI S.A.S. a subsidiary located in Colombia include in the segment of Air Transportation that represents 0,1% of the assets and 0,2% of the operating revenues of the Consolidated Financial Statement. Therefore, this subsidiary will be deconsolidated in 2023 see note 13.1.

On March 21, 2023, according to the resolution 00518, the Colombian Civil Aeronautics Authority concluded the integration proposed by Aerovías del Continente Americano S.A. Avianca ("Avianca"), Fast Colombia S.A.S. and Viva Air Peru S.A.C. subject to fulfilment with certain conditions established. Avianca is currently analyzing these conditions and their feasibility. It is important to note that this resolution is not a final decision, because is subject to a remedy of revocation and/or appeal as for the parties involved, as for those who were recognized as third parties interested in the process by the Colombian Civil Aeronautics Authority.

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