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

**Consolidated Financial Statements**
As at and for the year ended December 31, 2023, with corresponding figures as at and for the year ended December 31, 2022

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

Index

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders
Avianca Group International Limited:

## Report on the Audit of the Consolidated Financial Statements

### 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, 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together 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, and the IESBA Code. 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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March 21, 2024

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

| | Notes | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 7 | $ 783,858 | $ 816,716 |
| Short term investments | 7 | 257,553 | 44,843 |
| Trade and other receivables, net of expected credit losses | 8 | 263,433 | 233,753 |
| Current tax assets | 26 | 196,152 | 176,255 |
| Accounts receivable from related parties | 9 | 4,897 | — |
| Defined benefit assets, net | 20 | — | 2,102 |
| Expendable spare parts and supplies, net of provision for obsolescence | 10 | 93,506 | 88,578 |
| Prepayments | 11 | 14,878 | 15,258 |
| Deposits and other assets | 12 | 46,161 | 36,547 |
| | | **1,660,438** | **1,414,052** |
| Assets held for sale | 13 | 10,743 | 26,067 |
| Total current assets | | **1,671,181** | **1,440,119** |
| **Non-current assets:** | | | |
| Deposits and other assets | 12 | 118,821 | 81,267 |
| Trade and other receivables, net of expected credit losses | 8 | — | 2,592 |
| Accounts receivable from related parties | 9 | 112,726 | 103,341 |
| Intangible assets and goodwill, net | 15 | 2,852,113 | 2,893,187 |
| Deferred tax assets | 26 | 45,444 | 27,397 |
| Property and equipment, net | 14 | 3,832,762 | 2,671,909 |
| Total non-current assets | | **6,961,866** | **5,779,693** |
| **Total assets** | | **$ 8,633,047** | **$ 7,219,812** |

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

| | Notes | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **Liabilities and equity** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings and current portion of long-term debt | 16 | $ 476,177 | $ 213,043 |
| Accounts payable | 17 | 550,680 | 429,854 |
| Accounts payable to related parties | 9 | 79 | 42 |
| Accrued expenses | 18 | 85,799 | 54,577 |
| Current tax liabilities | 26 | 37,042 | 10,103 |
| Provision for legal claims | 27 | 31,125 | 47,124 |
| Provisions for return conditions | 19 | 8,098 | 5,522 |
| Employee benefits | 20 | 135,749 | 81,687 |
| Air traffic liability | 21 | 680,425 | 589,825 |
| Frequent flyer deferred revenue | 21 | 164,540 | 165,165 |
| Other liabilities | | 86 | 275 |
| | | **2,169,800** | **1,597,217** |
| Liabilities associated with the assets held for sale | 13 | — | 6,465 |
| **Total current liabilities** | | **2,169,800** | **1,603,682** |
| **Non-current liabilities:** | | | |
| Long-term debt | 16 | 4,295,433 | 3,771,792 |
| Provision for return conditions | 19 | 807,294 | 553,986 |
| Employee benefits | 20 | 71,191 | 40,221 |
| Deferred tax liabilities | 26 | 136,045 | 155,681 |
| Frequent flyer deferred revenue | 21 | 271,964 | 289,847 |
| Other liabilities | | 88 | 101 |
| **Total non-current liabilities** | | 5,582,015 | 4,811,628 |
| **Total liabilities** | | $ **7,751,815** | **$** **6,415,310** |
| **Equity:** | | | |
| Common shares | 22 | 4 | 4 |
| Share premium | 22 | 1,145,962 | 1,145,962 |
| Retained deficit | | (208,402) | (336,066) |
| Other comprehensive income | 22 | (72,567) | (21,537) |
| **Equity attributable to owners of the Company** | | **864,997** | **788,363** |
| Non-controlling interest (NCI) | 23 | 16,235 | 16,139 |
| **Total equity** | | **881,232** | **804,502** |
| **Total liabilities and equity** | | **$** **8,633,047** | **$** **7,219,812** |

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)

| | Note | | For the year ended December 31, 2023 | | For the year ended December 31, 2022 |
|---|---|---|---|---|---|
| Operating revenue: | | | | | |
| Passenger | | $ | 4,007,956 | $ | 3,132,561 |
| Cargo and other | | | 763,170 | | 915,295 |
| **Total operating revenue** | 5, 31 | | **4,771,126** | | **4,047,856** |
| Operational expenses: | | | | | |
| Flight operations | | | 87,080 | | 72,893 |
| Aircraft fuel | | | 1,416,445 | | 1,479,783 |
| Ground operations | | | 469,176 | | 401,497 |
| Rentals | 28 | | 131,468 | | 225,343 |
| Passenger services | | | 87,092 | | 90,695 |
| Maintenance and repairs | | | 167,532 | | 175,042 |
| Air traffic | | | 204,640 | | 171,913 |
| Selling expenses | | | 354,401 | | 326,275 |
| Salaries, wages, and benefits | | | 551,930 | | 440,029 |
| Fees and other expenses | | | 233,084 | | 250,764 |
| Depreciation, amortization, and impairment | 14,1 | | 449,734 | | 333,534 |
| **Total operating expenses** | | | **4,152,582** | | **3,967,768** |
| **Operating Income** | | | **618,544** | | **80,088** |
| Interest expenses | | | (510,301) | | (398,249) |
| Interest income | | | 48,914 | | 14,375 |
| Foreign exchange, net | 6.c | | (18,294) | | (9,857) |
| Equity method profit | | | 1,066 | | 523 |
| **Income (loss) before income tax** | | | **139,929** | | **(313,120)** |
| Income tax expense – current | | | (38,905) | | (8,830) |
| Income tax expense – deferred | | | 36,980 | | 1,512 |
| Total income tax expense | 26 | | (1,925) | | (7,318) |
| **Net income (loss) for the year from continuing** | | **$** | **138,004** | **$** | **(320,438)** |
| **Discontinuing operations** | | | | | |
| Loss from discontinuing operations | 13.1 | | (6,654) | | (1,856) |
| **Net Income (loss) for the year** | | **$** | **131,350** | **$** | **(322,294)** |

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, 2023 | For the year ended December 31, 2022 |
|---|---|---|---|
| **Net income (loss) for the year** | | **$ 131,350** | **$ (322,294)** |
| **Other comprehensive income (loss):** | | | |
| Items that will not be reclassified to income or loss in future periods: | 22 | | |
| Remeasurements of defined Benefit | 20 | (80,250) | (30,040) |
| Revaluation of administrative property | 14 | 22,826 | 1,265 |
| Income tax | 26 | (336) | (730) |
| | | **(57,760)** | **(29,505)** |
| **Items that will be reclassified to income in future periods:** | 22 | | |
| Effective portion of changes in fair value of hedging instruments | | — | (194) |
| Net change in fair value of financial assets with changes in OCI | | 800 | (2,019) |
| Foreign operations – foreign currency translation differences | | 4,590 | (4,388) |
| | | **5,390** | **(6,601)** |
| **Other comprehensive loss, net of income tax** | | (52,370) | (36,106) |
| **Total comprehensive income (loss) net of income tax** | | **78,980** | **(358,400)** |
| Income (loss) attributable to: | | | |
| Equity holders of the parent | | 127,664 | (323,505) |
| Non-controlling interest | | 3,686 | 1,211 |
| **Net income (loss)** | | **$ 131,350** | **$ (322,294)** |
| Total comprehensive income (loss) attributable to: | | | |
| Equity holders of the parent | | 76,634 | (359,996) |
| Non-controlling interest | | 2,346 | 1,596 |
| **Total comprehensive income (loss)** | | **$ 78,980** | **$ (358,400)** |

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 | Other comprehensive income<br>OCI Reserves | Retained deficit | Equity attributable to owners of the Company | Non- controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 01, 2022** | | **$ 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 | | — | — | (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** |
| Net income | | — | — | — | 127,664 | 127,664 | 3,686 | 131,350 |
| Sale subsidiary | 13.1 | — | — | — | — | — | (2,250) | (2,250) |
| Other comprehensive income | 22 | — | — | (51,030) | — | (51,030) | (1,340) | (52,370) |
| **Balance at December 31, 2023** | | **$ 4** | **$ 1,145,962** | **$ (72,567)** | **$ (208,402)** | **$ 864,997** | **$ 16,235** | **$ 881,232** |

See accompanying notes to consolidated financial statements

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

| | Notes | For the year ended December 31, 2023 | For the year ended December 31, 2022 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| **Net Income (loss)for the period** | | **$ 131,350** | **$ (322,294)** |
| Adjustments for: | | | |
| Provision net of expected credit losses | 8 | 3,963 | 4,952 |
| Provision for expandable spare parts and suppliers obsolescence | 10 | 3,955 | 1,959 |
| Recovery of provisions for legal claims | 27 | 413 | (2,136) |
| Depreciation, amortization and impairment | 13,14,15 | 449,734 | 333,534 |
| Loss on disposal of assets | | 1,074 | 9,220 |
| Loss on sale subsidiary | 13.1 | 6,654 | — |
| Interest Income | | (48,914) | (14,375) |
| Interest expense | | 510,301 | 398,249 |
| Deferred tax | 26 | (36,980) | (1,512) |
| Current tax | 26 | 38,905 | 8,830 |
| Derivative instruments | 24 | 4,079 | 13,886 |
| Unrealized foreign currency (gain) loss | | (8,018) | 7,614 |
| Changes in: | | | |
| Trade and other receivables | | (24,379) | (28,542) |
| Expendable spare parts and supplies | | (15,823) | (21,919) |
| Prepayments | | 447 | 9,246 |
| Net current tax | | 53,754 | (28,405) |
| Deposits and other assets | | (56,450) | (62,918) |
| Accounts payable and accrued expenses | | 90,123 | (29,992) |
| Air traffic liability | | 90,600 | 66,956 |
| Frequent flyer deferred revenue | | (18,508) | 46,200 |
| Provision for return conditions | | (4,664) | (1,955) |
| Provisions for legal claims | | (8,692) | 2,006 |
| Employee benefits | | (3,508) | (48,270) |
| Fuel Hedging paid, net | 24 | (4,079) | (14,045) |
| Income tax paid | | (52,923) | (69,952) |
| **Net cash provided by operating activities** | | **$ 1,102,414** | **$ 256,337** |
| | | | |
| **Cash flows from investing activities:** | | | |
| Acquisition of property and equipment | | (313,058) | (304,338) |
| Reimbursement of equipment acquisition | 14 | 54,457 | 112,524 |
| Interest received of investment in bank deposit certificates | | 33,993 | 1,721 |
| Acquisition of short-term investments | | (374,497) | — |
| Reimbursement of short-term investments | | 162,976 | — |
| Granted loans | 8,9 | — | (100,300) |
| Acquisition of intangible assets | 15 | (21,961) | (14,133) |
| Proceeds from sale of property and equipment | | 42,243 | 367,146 |
| Consideration received from disposal of subsidiary | 13.1 | 4,506 | — |
| Cash and cash equivalents disposed | 13.1 | (4,011) | — |
| **Net cash (used in) provided by investing activities** | | **$ (415,352)** | **$ 62,620** |

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

| | | | |
|---|---|---|---|
| **Cash flows from financing activities:** | | | |
| Payments of liabilities associated with assets held for sale | 13 | — | (317,667) |
| Proceeds from loans and borrowings | | 11,500 | — |
| Interest paid | 16 | (408,814) | (285,642) |
| Payment of loans and borrowings | 16 | (323,368) | (179,461) |
| **Net cash used in financing activities** | | **$ (720,682)** | **$ (782,770)** |
| Net decrease in cash and cash equivalents | | (33,620) | (463,813) |
| Exchange rate effect on cash | | 762 | 733 |
| Cash and cash equivalents at the beginning of the period | | 816,716 | 1,279,796 |
| **Cash and cash equivalents at the end of the period** | | **$ 783,858** | **$ 816,716** |

See accompanying notes to consolidated financial statements

(In USD thousands)

## (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 3rd Floor 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT. AGIL, together with its subsidiaries, will be referred to as the "Group" for the purposes of this document.

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

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

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

*Significant subsidiaries*

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

| **Subsidiary Name** | **Country of incorporation** | **Ownership Interest% 2023** | **Ownership Interest% 2022** |
|---|---|---|---|
| Avianca Ecuador S.A. | Ecuador | 99.62% | 99.62% |
| Aerovías del Continente Americano S.A. (Avianca) | Colombia | 99.98% | 99.98% |
| 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% |

(In USD thousands)

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

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

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

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

As of December 31, 2023, Avianca Group International Limited’s total fleet is comprised of:

| | **As of December 31, 2023** | | | **As of December 31, 2022** | | |
|---|---|---|---|---|---|---|
| **Aircraft** | **Owned** | **Lease** | **Total** | **Owned** | **Lease** | **Total** |
| Airbus A-319 | 1 | 9 | **10** | — | 19 | **19** |
| Airbus A-320 | — | 79 | **79** | 1 | 71 | **72** |
| Airbus A-320 NEO | — | 41 | **41** | — | 21 | **21** |
| Airbus A-330 | 1 | — | **1** | 1 | 3 | **4** |
| Airbus A-330F | — | 6 | **6** | — | 6 | **6** |
| Airbus A-300F | 3 | — | **3** | 3 | — | **3** |
| Boeing 787-8 | — | 16 | **16** | — | 13 | **13** |
| Boeing 767F | 2 | — | **2** | 2 | — | **2** |
| | **7** | **151** | **158** | **7** | **133** | **140** |

As of December 31, 2023, the Group finalized lease agreements for ten (10) A319 and five (5) A320, sold one (1) A320 Owned and acquired one (1) A319 aircraft. The Group also added thirteen (13) A320, three (3) B787-8 and twenty (20) A320 NEO aircraft under leasing.

Lastly, the Group extended the lease agreement for three (3) B787-8 and two (2) A319.

## (2) Basis of presentation of the Consolidated Financial Statements

*Professional Accounting Standards Applied*

*(a) Statement of compliance*

The Consolidated Financial Statements as at and for the year ended December 31, 2023, 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, 2023, were prepared, and presented by Management and authorized for issuance by the board of Directors on March 18, 2024.

*(b) Going Concern*

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

The Group has recognized a net income after taxes of $131,350 for the year ended December 31, 2023 (December 31, 2022: net loss of $(322,294). The consolidated statement of financial position reflected an excess of current assets over current liabilities of $346,346 (December 31, 2022: $591,427), excluding deferred revenue from air traffic liability and deferred revenue from frequent flyer. Similarly, the Group's liquidity reached in line with strong working capital generation and strengthening of Operating Cash Flow.

Operating income for the year ended December 31, 2023, was $618,544 (December 31, 2022: $ 80,088), resulting from the Group's plan to reduce its cost structure and generate profitability.

Except for the negative results in 2022, as outlined in the restructuring process, the Group has a strong financial position, with equity as of December 31, 2023, of $881,232 (December 31, 2022: $ 804,502).

The financial results of Avianca Group International Limited (AGIL) for the year ended December 31, 2023, confirm its financial strength, the successful implementation of the Business Plan proposed at the end of 2021, and the flexibility of its new business model, which leverages its profitability based on continuous optimization of its cost structure. This has allowed the Group to substantially improve its financial margins while managing its leverage levels.

The year 2023 was marked by a challenging macroeconomic environment in terms of inflation, fuel prices and currency volatility in the regions where the Group operates. Despite this, robust demand, and the continued optimization of the cost structure, along with profitable standalone business units, generated positive margins and preserved the Group's strong liquidity position.

Furthermore, the exit of two players from the Colombian domestic market created an opportunity, which, combined with increased slots per hour at El Dorado Airport in Bogotá, led to a strategic capacity increase that serves to meet the existing demand.

Management is confident in the Group's ability to navigate these times of high volatility through successful execution of the business plan. The Group through AGIL has and will have the adequate resources to continue its operational existence in the immediate and long-term future sustainably.

## (3) Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in the consolidated financial statements, except if mentioned otherwise.

In addition, the Group adopted Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 1) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impact accounting policy information disclosed below.

*(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.

*(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, 2022.

*(i) Judgements*

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Note 2(c): whether there are material uncertainties driven by a challenging macroeconomic environment in terms of inflation, fuel prices and currency volatility in the regions where the Group operates, that may cast significant doubt on the entity´s ability to continue as a going concern, management is confident in the Group's ability to navigate these times of high volatility through successful execution of the business plan, robust demand, and the continued optimization of the cost structure, along with profitable standalone business units, generated positive margins and preserved the Group's strong liquidity position.

- Note 3 (f) and 31: The group recognizes passenger revenue that includes airline fares and ancillary services (carry on, bag, economy seat, check in, mileage, seat selection and change fee) that could be sold on the ticket or standalone. Revenue management defines the fares and values depending on different conditions. Due to the importance of information related to ancillaries and fares in the company model that the group is implementing, management split these two revenue types, although they are selling as a bundle, taking as a based fare the minor fare identified in the route.

*(ii) Assumptions and estimation uncertainties*

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:

- Note 3(f) and 31: The Group recognizes revenue from the sale of Miles that are expected to expire unused ("Breakage") based on historical data and experience. In defining expected breakage, Management uses an econometric model developed with the assistance of an independent expert; such model measures behavior patterns of members segmented into statistically homogenous groups, and projects future behavior, taking into account specific considerations affecting recent and upcoming periods. The breakage methodology uses member-level predictive statistical analyses to build a transition model, allowing better consideration of members across segments that are likely to exhibit cohesive behavior. Every year, management reassesses the historical data and makes required adjustments.

- Note 3(g) and 26: 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.

- Note 3 (k) and 15: 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. The goodwill, once it is impaired, the impairment loss is not reversed in future years.

- Note 3 (i), 14 and 19: 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, discount rate 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.

- Note 3(r) and 20: the determination of the Group´s defined benefit obligation depends on certain assumptions, which include selection of the discount rate, mortality rates and future pension increases. All assumptions are reviewed at each reporting date.

*(d) Basis of Consolidation*

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. Subsidiaries are entities controlled by AGIL. 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.

*(i) 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.

*(i) 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*

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 timming 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 passengers, which includes transportation, baggage fees, fares, and other associated ancillary income, are recognized when transportation is provided or when obligation expires. Cargo revenues are recognized when the shipments are delivered. Other operating income is recognized as the related performance obligations are met.

The group´s passenger revenue includes airline fares and ancillary services (carry on, bag, economy seat, check in, mileage, seat selection and change fee) that could be sold on the ticket or standalone. Revenue management defines the fares and values depending on different conditions.

The Group has refundable and non- refundable fares. For non- refundable fares, revenue from the air transportation of passengers is recognized at the earlier of when service is provided or when the non-refundable ticket expires at the date of the scheduled travel.

Refundable 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 management must take estimates based on historical experience as an indication of the future customer behavior, analyzed by rate type.

Due to the importance of information related to ancillaries and fares in the company model that the group is implementing, management split these two revenue types, although they are selling as a bundle, taking as a based fare the minor fare identified in the route. The company applies discounts on the ancillary side according to market conditions and commercial strategies.

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. The group management team evaluates historical data annually based on said accumulated data and adjusts as appropriate, if 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 derecognizes it when the government entity is paid.

(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 21.

*(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.

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 differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized to the extent that is probable that the temporary differences, the carry forward of unused tax credits and any unused tax losses can be utilized except 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) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the consolidated statement of comprehensive income on a straight–line basis over the estimated useful lives of flight equipment, property and other equipment, since this method most closely reflects the expected pattern of consumption of the future economic benefits associated to the asset.

Rotable spare parts for flight equipment are depreciated on the straight–line method, using rates that allocate the cost of these assets over the estimated useful life of the related aircraft. Land is not depreciated.

Estimated useful lives are as follows:

| **Flight equipment** | **Estimated useful life (years)** |
|---|---|
| Aircraft, and aircraft right of use | For right of use 2 – 12. The useful lives of the own aircraft depend on the use of the fleet and technical specifications. |
| 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) Revaluation and other reserves

Administrative properties in Bogota, 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) 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, less any lease incentives receivable 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.

*(j) 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.

*(k) Intangible assets*

Intangible assets acquired separately are initially measured at cost in accordance with IAS 38 "Intangible Assets". The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

| | **Estimated useful life (years)** |
|---|---|
| Trademarks | Indefinite |
| Slots | Indefinite |
| Customer Relationships | 15 – 20 |
| Routes | Indefinite |
| Agreements | 10 |
| Software and webpages | 4 |

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. 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.

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 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 and the routes have indefinite useful lives and therefore are not amortized but are tested for impairment at least at the end of each reporting period.

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

(i) Financial assets

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.

*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.

Financial assets at amortized cost

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.

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 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.

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.

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.

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 25 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.

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.

*(m) 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. The group made a provision for obsolescence for inventories that were slow-moving or unused.

*(n) 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. Cash and cash equivalent balances that have usage constraints due to contractual agreements are classified as a restricted cash.

For the consolidated statement of cash flows, cash and cash equivalents are comprised of cash and short–term deposits and restricted cash as defined above, net of outstanding bank overdrafts, if any.

As of December 31, 2022, in the Consolidated Statement of Financial Position, the Group reported restricted cash in a separate caption; as of December 31, 2023, the Group reported restricted cash as cash equivalent in the caption “Cash and Cash Equivalents”. In the consolidated statements of cash flows for 2023 and 2022, the restricted cash is presented as part of the cash and cash equivalents.

*(o) 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.

*(p) 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.

*(q) Provisions*

The Group recognized provisions in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets. Material provisions in the consolidated financial statements position are comprised in Accrued Expenses, Provisions for legal claims and provisions for return conditions.

*(i) Provision for legal Claims*

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.

*(ii) 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.

*(r) 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.

For Avianca S.A. CAXDAC defined benefit plan, the pension liability as of December 31, 2023, was measured at discount rate of 7.12% (December 31, 2022: 8.14%), less the fair value of the plan assets with which the obligations will be settled. The discount rate is determined by reference to market yields at the end of the reporting period. Plan assets correspond to transfers paid by the Group plus plan yields.

For Avianca S.A. and Tampa Cargo S.A.S. components, 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 other defined benefits plans are measured 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.

*(s) Interest income and interest expense*

Interest income is comprised of interest income on funds invested (including available–for–sale financial assets) and changes in the fair value of financial assets at fair value through the consolidated statement of comprehensive income 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 and changes in the fair value of financial assets at fair value through the consolidated statement of comprehensive income 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.

Financial expenses related to loans are presented in the consolidated statement of cash flows as part of the financing activities.

## (4) Accounting standards issued but not yet effective

The Group initiated the application of certain standards and amendments to standards, effective for those reporting periods subsequent to January 1, 2023, without significant impact on the Group´s consolidated financial statements. The Group has applied the IAS12 amendment in 2022 and there were not significant adjustments.

The Group has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements:

**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."
- As disclosed in note 16, the Group has a debt contracts that are subject to specific covenants. While both liabilities are classified as non-current as of December 31, 2023, a future breach of the related covenants may require the Group to repay the liabilities earlier than the contractual maturity dates. The Group is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

These amendments are effective as of January 1, 2024.

**Lease liability in sale and leaseback (Amendments to IFRS 16)**

The amendments to IFRS 16 Leases affect how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reevaluate and potentially restate sale and leaseback transactions made since 2019. The Group is in the process of assessing the potential impact of the amendment.
This amendment is effective as of January 1, 2024.

**Other Accounting Standards**

The following new and amended accounting standards are not expected to have significant impact on the Group´s consolidated financial statements:

- Lack of Exchangeability (Amendments to IAS 21)
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7)

(In USD thousands)

## (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 is as follows:

| | For the year ended December 31, 2023 | | | |
|---|---|---|---|---|
| | **Air transportation** | **Loyalty** | **Eliminations** | **Consolidated** |
| Operating revenue | | | | |
| External customers | $ 4,471,420 | $ 299,706 | $ — | $ 4,771,126 |
| Inter-segment | 50,280 | 3,996 | (54,276) | — |
| **Total operating revenue** | **4,521,700** | **303,702** | **(54,276)** | **4,771,126** |
| Operating expenses before depreciation and amortization | 3,567,535 | 189,589 | (54,276) | 3,702,848 |
| Depreciation and amortization | 445,981 | 23,331 | (19,578) | 449,734 |
| **Operating profit** | **508,184** | **90,782** | **19,578** | **618,544** |
| Interest expense | (469,757) | (40,544) | — | (510,301) |
| Interest income | 45,840 | 3,074 | — | 48,914 |
| Foreign exchange | (18,310) | 16 | — | (18,294) |
| Equity method profit | 1,066 | — | — | 1,066 |
| Income tax expense | (1,839) | (86) | — | (1,925) |
| **Net Income for the period, from continuing operations** | **65,184** | **53,242** | **19,578** | **138,004** |
| Loss from discontinuing operations | (6,654) | — | — | (6,654) |
| **Net Income for the period** | **$ 58,530** | **$ 53,242** | **$ 19,578** | **$ 131,350** |
| **Total Assets – December 31, 2023** | **$ 7,762,606** | **$ 1,012,618** | **$ (142,177)** | **$ 8,633,047** |
| **Total Liabilities – December 31, 2023** | **$ 6,991,556** | **$ 844,427** | **$ (84,168)** | **$ 7,751,815** |

(In USD thousands)

The Group's operational information by reportable segment 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)** |
| **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** |

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

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

| | **For the year ended December 31, 2023** | **For the year ended December 31,2022** |
|---|---|---|
| Colombia | $ 2,078,665 | $ 1,779,759 |
| Central America and the Caribbean | 704,241 | 591,257 |
| United States of America | 798,736 | 736,154 |
| South America (excluding Colombia) | 708,344 | 599,252 |
| Other | 481,140 | 341,434 |
| **Total operating revenue** | **$ 4,771,126** | **$ 4,047,856** |

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.

We believe that the above sources, including our debt financing management 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, 2023**

| | Carrying amount | Contractual cash flows | One | Two | Three | Four | Five and thereafter |
|---|---|---|---|---|---|---|---|
| | | | Years | | | | |
| Short–term borrowings | $ 219,608 | $ 219,608 | $ 219,608 | $ — | $ — | $ — | $ — |
| Long-term debt | 2,268,613 | 3,500,823 | 417,645 | 294,793 | 470,604 | 218,342 | 2,099,439 |
| Rights of use - IFRS 16 | 2,283,389 | 3,466,065 | 481,474 | 468,872 | 450,120 | 414,017 | 1,651,582 |
| **Total, debt** | **$ 4,771,610** | **$ 7,186,496** | **$ 1,118,727** | **$ 763,665** | **$ 920,724** | **$ 632,359** | **$ 3,751,021** |
| Accounts payable | 550,680 | 550,680 | 550,680 | — | — | — | — |
| Accrued expenses | 85,799 | 85,799 | 85,799 | — | — | — | — |
| **Contractual maturities** | **$ 5,408,089** | **$ 7,822,975** | **$ 1,755,206** | **$ 763,665** | **$ 920,724** | **$ 632,359** | **$ 3,751,021** |

**As of December 31, 2022**

| | Carrying Amount | Contractual cash flows | One | Two | Three | Four | Five and thereafter |
|---|---|---|---|---|---|---|---|
| | | | Years | | | | |
| 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** |

(In USD thousands)

*(b) Fuel price risk*

The Group´s operations require a significant volume of jet fuel, being one of the most important costs through the year. Oil prices fell by about 23.5%, from the last peak in September 2023, where the price reached $93.6 per barrel, contrary to expectations, the price of jet fuel continued at elevated levels close to $2.3 dollar per gallon, aligned with higher crude oil refining costs and inflationary pressures worldwide. 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 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 2023 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 quarter of the year, enabling the Company to protect against fuel price increases and volatility. The Group spent $4,079 in premiums related to those fuel call options. At the end of 2023 all derivative options were closed, and more hedging is not expected for 2024. (See note 24).

*Sensitivity analysis*

Fuel price fluctuation impacts on profit and/or loss are illustrated below. This analysis was made considering a parallel movement of 5%, 10% and 15% per gallon in the underlying reference price at the end of December 2023. The projection period was defined until the end of 2024. This analysis assumes that all other variables remain constant and considers the effect of changes in jet fuel price.

| | **Effect in profit or loss** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **December 31, 2023** | | | | **December 31, 2022** | | | |
| | **Increase** | | **Decrease** | | **Increase** | | **Decrease** | |
| 5% movement | $ | (64,456) | $ | 64,456 | $ | (83,028) | $ | 83,028 |
| 10% movement | $ | (128,912) | $ | 128,912 | $ | (166,055) | $ | 166,055 |
| 15% movement | $ | (193,367) | $ | 193,367 | $ | (249,083) | $ | 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 revaluation/depreciation of the Colombian Peso and Argentinian peso against the US Dollar. For the year ended December 31, 2023, the Group recognized a net loss from of $(18,294) (December 31, 2022: $(9,857).

*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, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **USD** | **Colombian Pesos** | **Euros** | **Mexican Pesos** | **Argentinean Pesos** | **Brazilian Reals** | **Others** | **Total** |
| Cash and cash equivalents | $ 721,017 | $ 39,544 | $ 2,374 | $ 3,088 | $ 752 | $ 2,173 | $ 14,910 | $ 783,858 |
| Short term investments | 255,110 | 1,669 | - | - | — | — | 774 | 257,553 |
| Trade and other receivables, net of expected credit losses | 125,585 | 58,865 | 15,951 | 2,583 | 1,072 | 37,465 | 21,912 | 263,433 |
| Short-term borrowings and current portion of long-term debt | (474,536) | (874) | — | (767) | — | — | — | (476,177) |
| Long-term debt | (4,232,320) | (59,808) | — | (3,305) | — | — | — | (4,295,433) |
| Accrued expenses | (73,192) | (7,617) | (851) | (440) | — | (2,679) | (1,020) | (85,799) |
| Accounts payable | (344,148) | (148,077) | (15,983) | (12,790) | (1,445) | (5,166) | (23,071) | (550,680) |
| **Net financial position exposure** | **$ (4,022,484)** | **$ (116,298)** | **$ 1,491** | **$ (11,631)** | **$ 379** | **$ 31,793** | **$ 13,505** | **$ (4,103,245)** |

| | December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **USD** | **Colombian Pesos** | **Euros** | **Mexican Pesos** | **Argentinean Pesos** | **Brazilian Reals** | **Others** | **Total** |
| Cash and cash equivalents | $ 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 |
| Long-term debt | (3,934,422) | — | — | — | — | — | — | (3,934,422) |
| Short-term borrowings and current portion of long-term 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)** |

(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 on 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.

| | **Effect in profit or loss** | | | | | |
|---|---|---|---|---|---|---|
| | **Change forecast in exchange rate** | **December 31, 2023** | | **Change forecast in exchange rate** | **December 31, 2022** | |
| Colombian Pesos | 21% movement | $ (24,423) | $ 24,423 | (21%) movement | $ (5,233) | $ 5,233 |
| Euros | 3 % movement | 45 | (45) | (6%) movement | 882 | (882) |
| Mexican Pesos | 13 % movement | (1,512) | 1,512 | 5% movement | 198 | (198) |
| Argentinean Pesos | (356%) movement | (1,349) | 1,349 | (72%) movement | (8.978) | 8.978 |
| Brazilian Reals | 8% movement | 2,543 | (2,543) | 5% movement | 211 | (211) |

*(d) Interest rate risk*

The Group incurs interest rate risk mainly on financial obligations with banks and aircraft lessors. These lease payments long-term lease payments at interest floating rates expose the Group to the cash flow risk. Interest rate risk is managed through a mix of fixed and floating rates on loans and lease agreements, combined with interest rate swaps.

The Group assesses interest rate risk by monitoring and identifying changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Group maintains risk management control systems to monitor interest rate risk attributable to both the Group's outstanding or forecasted debt obligations.

At the reporting date the interest rate profile of the Group's interest–bearing financial instruments is:

| **Carrying amount – asset/(liability)** | **December 31, 2023** | | **December 31, 2022** | |
|---|---|---|---|---|
| **Fixed rate instruments** | | | | |
| Financial assets | $ | 1,005,887 | $ | 698,336 |
| Financial liabilities | | (1,873,684) | | (1,702,110) |
| **Total** | **$** | **(867,797)** | **$** | **(1,003,774)** |
| **Floating rate instruments** | | | | |
| Financial assets | $ | 9,897 | $ | 14,739 |
| Financial liabilities | | (614,537) | | (685,134) |
| **Total** | **$** | **(604,640)** | **$** | **(670,395)** |

(In USD thousands)

A reasonably possible change of 5%, 10% and 15% in interest rate at the reporting as of December 31, 2023, are date would have increase (decrease) 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, 2023 | | | | December 31, 2022 | | | |
| | Increase | | Decrease | | Increase | | Decrease | |
| 5% movement | $ | 2,586 | $ | (2,586) | $ | 2,880 | $ | (2,880) |
| 10% movement | $ | 5,171 | $ | (5,171) | $ | 5,759 | $ | (5,759) |
| 15% movement | $ | 7,757 | $ | (7,757) | $ | 8,639 | $ | (8,639) |

*(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, 2023, are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Impairment loss on trade receivable and contract assets arising from contracts with customers | $ | 12,699 | $ | 8,736 |

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.

(In USD thousands)

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.

As of December 31, 2023, the exposure to credit risk for trade receivable and contract assets by type of counterparty is as follows:

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Air Transportation | $ 214,464 | $ 215,150 |
| Miscellaneous | 16,120 | 7,250 |
| Miles | 10,803 | 6,262 |
| Others | 5,225 | 1,406 |
| **Total** | **$ 246,612** | **$ 230,068** |

(In USD thousands)

*(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).

As of December 31, 2023, the expected credit loss assessment is as follows:

**December 31, 2023**

| Buckets | Percentage of expected credit loss | Gross Carrying amount | Impairment loss allowance |
|---|---|---|---|
| No past due | 0.004% | $159,405 | $ 3,111 |
| Past due 1 – 30 days | 0.189% | 20,503 | 558 |
| Past due 31 –90 days | 2.40% | 25,307 | 64 |
| Past due more 91 days | 11.32% and 100% | 41,397 | 8,966 |
| | | **$ 246,612** | **$ 12,699** |

**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** |

*(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.

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

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Corporate debt | 16 | $ 2,488,221 | $ 2,387,244 |
| Lease liabilities (Aircraft and other rents) | 16 | 2,283,389 | 1,597,591 |
| Less: cash and cash equivalents | 7 | (783,858) | (816,716) |
| **Total** | | **$ 3,987,752** | **$ 3,168,119** |
| Total equity | | 881,232 | 804,502 |
| **Total capital** | | **$ 4,868,984** | **$ 3,972,621** |
| **Net debt–to–capital ratio** | | **82%** | **80%** |

(In USD thousands)

*(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, 2023, are as follows.

| | | December 31, 2023 | | | |
|---|---|---|---|---|---|
| | **Notes** | **Carrying amount** | | **Fair value** | |
| **Financial assets** | | | | | |
| Short term Investments | 7 | $ | 257,553 | $ | 257,553 |
| Plan assets | 20 | | 280,372 | | 280,372 |
| | | **$** | **537,925** | **$** | **537,925** |
| **Financial liabilities** | | | | | |
| Short term and long-term corporate debt | 16,25 | **$** | **2,488,221** | **$** | **2,248,230** |

| | | December 31, 2022 | | | |
|---|---|---|---|---|---|
| | **Notes** | **Carrying amount** | | **Fair value** | |
| **Financial assets** | | | | | |
| Short term Investments | 7 | $ | 44,843 | $ | 44,843 |
| Plan assets | 20 | | 161,633 | | 161,633 |
| | | **$** | **206,476** | **$** | **206,476** |
| **Financial liabilities** | | | | | |
| Short term and long term corporate debt | 16,25 | **$** | **2,387,244** | **$** | **2,155,750** |

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.

(In USD thousands)

## (7) Cash and cash equivalents and Short-Term Investments

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Cash on hand and bank deposits | $ | 748,343 | $ | 729,132 |
| Cash equivalents (1) | | 19,204 | | 48,372 |
| Restricted cash and cash equivalents (2) | | 16,311 | | 39,212 |
| **Cash and cash equivalents** | **$** | **783,858** | **$** | **816,716** |
| Short - Term investments (3) | $ | 232,553 | $ | 44,843 |
| Restricted Short-Term investments (4) | | 25,000 | | — |
| **Short-term investments** | $ | **257,553** | **$** | **44,843** |

(1) As of December 31, 2023, Investment Funds accrued annual interest rates between 6.18% and 19.69% in Colombian pesos (December 31, 2022: 4.47% and 15.9%); Time Deposits accrued annual interest at 3.8% in Costarican Pesos (December 31, 2022: 4.35%) and between 2% and 6.38% in U.S. dollars (December 31, 2022: 1% and 6%); CDTs (Colombian term deposits) accrued annual interest rates at 14.84% in Colombian Pesos. The use of term deposits depends on the Group's cash requirements during the period.

(2) The Group has availability to restricted cash to cover events/claims, whose purpose is to support the guarantees that bank entities 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) The short-term classification corresponds to funds invested for terms of less than one year; investments correspond to CDTs and bonds constituted by trusts held by the Group. During the year ended December 31, 2023, five (5) Time Deposits were created for $130,000, for a term of 6, 9, and 12 months at an average rate of 5.12%, seven (7) Bonds were created for $40,143, for a term between three (3) and eleven (11) months at an average rate of 5.5% and Government Bonds and Corporate Bonds were created for $27,771 and $15,000 respectively.

(4) As of December 31, 2023, the restricted short-term classification corresponds to three (3) Time Deposits created, from restricted cash (see (2)), for $25,000 for a term between 3 and 12 months at an average rate of 4.5%.

(In USD thousands)

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

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Trade | $ | 246,612 | $ | 230,068 |
| Employee advances | | 4,450 | | 3,346 |
| Others | | 25,070 | | 11,667 |
| | **$** | **276,132** | **$** | **245,081** |
| Less estimate for expected credit losses (1) | | (12,699) | | (8,736) |
| **Total** | **$** | **263,433** | **$** | **236,345** |
| Net current | | 263,433 | | 233,753 |
| Net non-current (2) | | — | | 2,592 |
| **Total** | **$** | **263,433** | **$** | **236,345** |

Trade receivables are non-interest bearing.

(1) The Group recognized impairment for expected credit losses as of December 31, 2023, for $12,699 (December 31, 2022: $8,736).

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Balance at beginning of year | $ | 8,736 | $ | 3,784 |
| Provision for expected credit losses (a) | | 3,963 | | 4,952 |
| **Total** | **$** | **12,699** | **$** | **8,736** |

(a) As of December 31, 2023, the provision for expected credit losses include impairment over the loan's agreement with Rexton Enterprises S.A. for $2,694

(2) As of December 31, 2023, the loan´s agreement with Rexton Enterprises S.A. is completely impaired. As of December 31, 2022, Avianca Group International Limited (AGIL) entered into a Loan Agreement with Rexton Enterprises S.A. for a total amount of US $2,592 ($2,500 initial loan and $92 for interest capitalization).

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

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Neither past due nor impaired | $ | 159,405 | $ | 137,875 |
| Past due 1–30 days | | 20,503 | | 39,985 |
| Past due 31–90 days | | 25,307 | | 18,420 |
| Past due more than 91 days | | 41,397 | | 33,788 |
| **Total** | | **246,612** | | **230,068** |
| Less estimate for expected credit losses | | (12,699) | | (8,736) |
| **Trade receivables, net of expected credit loss** | **$** | **233,913** | **$** | **221,332** |

(In USD thousands)

## (9) Balances and transactions with related parties

| | | December 31, 2023 | | | | December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Company** | **Country** | **Receivables** | **Payables** | **Revenues** | **Expenses** | **Receivables** | **Payables** | **Revenues** | **Expenses** |
| Investment Vehicle 1 Limited | Cayman Islands | $ 112,879 | $ — | $ 9,385 | $ — | $ 103,341 | $ — | $ 761 | $ — |
| Abra Group Limited | United Kingdom | 4,744 | — | — | — | — | — | — | — |
| MRO Holdings S.A. | Colombia | — | — | — | — | — | — | 2,068 | — |
| Caoba Capital S.A. | Panamá | — | — | — | 2,500 | — | — | — | — |
| Others | Colombia | — | 79 | — | — | — | 42 | — | 5 |
| **Total** | | **$ 117,623** | **$ 79** | **$ 9,385** | **$ 2,500** | **$ 103,341** | **$ 42** | **$ 2,829** | **$ 5** |

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | **Receivables** | **Payables** | **Receivables** | **Payables** |
| Short term | $ 4,897 | $ 79 | $ — | $ 42 |
| Long term (1) | 112,726 | — | 103,341 | — |
| **Total related parties** | **$ 117,623** | **$ 79** | $ 103,341 | **$ 42** |

(1) 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$112,726 ($97,800 initial loan and $14,926 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.

(In USD thousands)

**Key management personnel compensation expense**

During the year ended December 31, 2023, the employee benefits for key management personnel were $38,338 (December 31, 2022: $29,951).

Short-term employee benefits are as follows:

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Salaries/Bonuses | $ | 34,320 | $ | 26,000 |
| Benefits/Social Charges | | 4,018 | | 3,128 |
| Others | | — | | 823 |
| **Total** | **$** | **38,338** | **$** | **29,951** |

## (10) Expendable spare parts and supplies

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Expendable spare parts and supplies | $ | 98,030 | $ | 90,670 |
| Provision for obsolescence of supplies | | (4,524) | | (2,092) |
| **Total** | $ | **93,506** | **$** | **88,578** |

For the year ended December 31, 2023, expendable spare parts and supplies in the amount of $59,598 (December 31, 2022: $49,594), were recognized as maintenance expense.

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

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Opening Balance | $ | (2,092) | $ | (157) |
| Additions | | (3,955) | | (1,959) |
| Provisions used | | 1,523 | | 24 |
| **Total** | $ | **(4,524)** | **$** | **(2,092)** |

(In USD thousands)

## (11) Prepayments

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Premiums for insurance policies (1) | $ 9,646 | $ 14,096 |
| Others (2) | 5,232 | 1,162 |
| **Total** | **$ 14,878** | **$ 15,258** |

(1) Corresponds primarily to the D&O policy (Directors & Officers).
(2) Corresponds primarily to advanced payment for wetlease operation for $4,333 and prepaid compensation to clients for $899.

## (12) Deposits and other assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Short Term:** | | |
| Deposits with lessors (1) | $ 2,809 | $ 2,718 |
| Guarantee deposits (2) | 15,069 | 15,958 |
| Commission (3) | 13,447 | 13,946 |
| Others (5) | 14,836 | 3,925 |
| **Subtotal** | **46,161** | **36,547** |
| **Long Term:** | | |
| Deposits with lessors (1) | $ 64,487 | $ 51,745 |
| Guarantee deposits (2) | 21,123 | 9,265 |
| Labor lawsuits (4) | 25,369 | 12,483 |
| Others | 146 | 313 |
| Long term investments | 7,696 | 7,461 |
| **Subtotal** | **118,821** | **81,267** |
| **Total** | $ **164,982** | $ **117,814** |

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

(In USD thousands)

**(13) Assets and liabilities of held for sale**

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Airbus aircraft and engines (1) | $ | 10,743 | $ | 16,430 |
| Disposal group held for sale (2) | | — | | 9,637 |
| **Total assets held for sale** | $ | **10,743** | **$** | **26,067** |
| | | | | |
| Liabilities associated with assets held for sale | $ | — | $ | 6,465 |
| **Total liabilities associated with assets held for sale** | $ | — | **$** | **6,465** |

(1) As of December 31, 2023, the Group classified as held for sale Three (3) aircraft A330-F, two (2) of them classified as held for sale during 2023 for $743 and one (1) maintained since 2022 in process to be sold during 2024, whose value was impaired for $1,007 during 2023. Additionally, during the year 2023, (3) three engines and (1) aircraft Airbus A320 were sold. As of December 31, 2022, 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. As of December 31, 2022, 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 subsidiary based in Colombia operating in the air transportation segment, which represented 0.1% of assets and 0.2% of operating revenues in the consolidated financial statement. Therefore, SAI S.A.S. was presented as a disposal group held for sale as of December 31, 2022.

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

As of December 31, 2023, the following is a summary of the movements in the financial statements due to the sale and the corresponding loss of control:

(In USD thousands)

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

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:

| | | |
|---|---|---|
| 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 2023 mainly correspond to the recognition of the right of use of aircraft operating lease agreements in the amount of $926,794 (December 31, 2022: $1,051,778) (This amount include new lease contracts of thirty three (33) aircraft A320, six (6) B787 aircraft and three (3) spare engines), new engine TRENT 1000-D2 for $31,508, additional debt for $71,214 for the financial lease of four (4) aircraft A330F, densification for $34,189, as well as the credit notes of aircraft and projects for $(26,355) (December 31, 2022: $(26,225).

  Right of use for return conditions for $187,745 (December 31, 2022: $214,316).

  The main disposals as of December 31, 2023, correspond mainly to engines for $17,685 (December 31, 2022: $5,349).

- Capitalized maintenance: The main additions for the year ended December 31, 2023, correspond to major repairs (overhaul) for engines, auxiliar power unit (APU) and overhaul contribution in the amount of $91,463 (December 31, 2022: $74,132), fuselage in the amount of $9,940 (December 31, 2022: $11,044), and Totalcare Life Agreement in the amount of $46,311 (December 31, 2022: $9,009).

- Other property and equipment: as of December 31, 2023, the main additions correspond to non-aeronautical leasing for $29,547 (December 31, 2022: $6,905), tools and spares for $12,939 (December 31, 2022: $5,074) projects in progress for $6,212 (December 31, 2022: $4,308).

  The main disposals as of December 31, 2023, correspond to ramp equipment $4,152 (December 31, 2022: $13,788), tools and spares for $14,194 (December 31, 2022: $5,406) and non-Aeronautical equipment $2,241 (December 31, 2022: $2,666).

**Reimbursement of equipment acquisition**

As of December 31, 2023, the equipment acquisition reimbursement was $54,457 (December 31, 2022: $112,524).

(In USD thousands)

| | Flight Equipment | Capitalized Maintenance | Rotables Spare parts | Reimbursement of predelivery payments | Administrative property | Others | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **December 31, 2022** | **$ 2,152,749** | **$ 98,137** | **$ 214,206** | **$ 88,687** | **$ 97,573** | **$ 184,215** | **$ 2,835,567** |
| Additions | 1,078,276 | 155,917 | 60,461 | 20,589 | — | 48,701 | 1,363,944 |
| ROU Return Conditions | 187,745 | — | — | — | — | — | 187,745 |
| Disposals | (22,615) | (10,426) | (20,563) | — | — | (20,667) | (74,271) |
| Revaluation (OCI) | — | — | — | — | 22,826 | — | 22,826 |
| Impairment | — | — | (2,305) | — | — | — | (2,305) |
| Transfers | 39,977 | (3,089) | (29,456) | (2,290) | (5,404) | 262 | — |
| Transfers to assets held for sale | (6,796) | — | — | — | — | — | (6,796) |
| **December 31, 2023** | **$ 3,429,336** | **$ 240,539** | **$ 222,343** | **$ 106,986** | **$ 114,995** | **$ 212,511** | **$ 4,326,710** |
| **Accumulated depreciation:** | | | | | | | |
| **December 31, 2022** | **$ 116,994** | **$ 133** | **$ 10,554** | **$ —** | **$ 1,419** | **$ 34,558** | **$ 163,658** |
| Additions | 326,811 | 18,453 | 10,974 | — | 1,627 | 25,522 | 383,387 |
| Disposals | (9,087) | (10,208) | (4,531) | — | — | (12,522) | (36,348) |
| ROU Return Conditions | (10,696) | — | — | — | — | — | (10,696) |
| Transfers | 3,210 | (2,387) | (870) | — | — | 47 | — |
| Transfers to assets held for sale | (6,053) | — | — | — | — | — | **(6,053)** |
| **December 31, 2023** | **$ 421,179** | **$ 5,991** | **$ 16,127** | **$ —** | **$ 3,046** | **$ 47,605** | **$ 493,948** |
| **Net balances:** | | | | | | | |
| **December 31, 2022** | **$ 2,035,755** | **$ 98,004** | **$ 203,652** | **$ 88,687** | **$ 96,154** | **$ 149,657** | **$ 2,671,909** |
| **December 31, 2023** | **$ 3,008,157** | **$ 234,548** | **$ 206,216** | **$ 106,986** | **$ 111,949** | **$ 164,906** | **$ 3,832,762** |

(In USD thousands)

| | Flight Equipment | Capitalized Maintenance | Rotable Spare parts | Reimbursement of predelivery payments | Administrative property | Others | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **December 31, 2021** | **$ 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** | **$ 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** | **$ 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)

## (15) Intangible asset and goodwill, net

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Trademarks | $ 644,141 | $ 644,141 |
| Customer Relationships & Routes | 526,104 | 549,713 |
| Software and webpages | 89,853 | 100,016 |
| Agreements (Code-share and Star Alliance) | 57,871 | 65,173 |
| Slots | 9,506 | 9,506 |
| **Subtotal** | **$ 1,327,475** | **$ 1,368,549** |
| Goodwill | 1,524,638 | 1,524,638 |
| **Total Intangible Assets** | **$ 2,852,113** | **$ 2,893,187** |

(In USD thousands)

The following provides detail on intangible assets and goodwill as of December 31, 2023, and 2022:

| | Goodwill | Customer Relationships & Routes | Agreements (Codeshare and Star Alliance) | Trademarks | Software & Webpages | Slots | Total |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| **December 31, 2022** | **$ 1,524,638** | **$ 592,010** | **$ 73,025** | **$ 644,141** | **$ 135,298** | **$ 9,506** | **$ 2,978,618** |
| Additions | — | — | — | — | 21,961 | — | 21,961 |
| **December 31, 2023** | **$ 1,524,638** | **$ 592,010** | **$ 73,025** | **$ 644,141** | **$ 157,259** | **$ 9,506** | **$ 3,000,579** |
| **Accumulated Amortization:** | | | | | | | |
| **December 31, 2022** | **$ —** | **$ 42,297** | **$ 7,852** | **$ —** | **$ 35,282** | **$ —** | **$ 85,431** |
| Amortization for the period | — | 23,609 | 7,302 | — | 32,124 | — | 63,035 |
| **December 31, 2023** | **$ —** | **$ 65,906** | **$ 15,154** | **$ —** | **$ 67,406** | **$ —** | **$ 148,466** |
| **Carrying Amounts:** | | | | | | | |
| **December 31, 2022** | **$ 1,524,638** | **$ 549,713** | **$ 65,173** | **$ 644,141** | **$ 100,016** | **$ 9,506** | **$ 2,893,187** |
| **December 31, 2023** | **$ 1,524,638** | **$ 526,104** | **$ 57,871** | **$ 644,141** | **$ 89,853** | **$ 9,506** | **$ 2,852,113** |

(In USD thousands)

The following provides details related to intangible assets as of December 31, 2022, and 2021.

| | Goodwill | Customer Relationships & Routes | Agreements (Codeshare and Star Alliance) | Trademarks | Software & Webpages | Slots | Total |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| **December 31, 2021** | **$ 1,524,638** | **$ 592,010** | **$ 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** | **$ 592,010** | **$ 73,025** | **$ 644,141** | **$ 135,298** | **$ 9,506** | **$ 2,978,618** |
| **Accumulated Amortization:** | | | | | | | |
| **December 31, 2021** | **$ —** | **$ 3,417** | **$ 550** | **$ —** | **$ 2,892** | **$ —** | **$ 6,859** |
| Amortization for the period | — | 38,880 | 7,302 | — | 32,390 | — | 78,572 |
| **December 31, 2022** | **$ —** | **$ 42,297** | **$ 7,852** | **$ —** | **$ 35,282** | **$ —** | **$ 85,431** |
| **Carrying Amounts:** | | | | | | | |
| **December 31, 2021** | **$ 1,524,638** | **$ 588,593** | **$ 72,475** | **$ 644,141** | **$ 118,991** | **$ 9,506** | **$ 2,958,344** |
| **December 31, 2022** | **$ 1,524,638** | **$ 549,713** | **$ 65,173** | **$ 644,141** | **$ 100,016** | **$ 9,506** | **$ 2,893,187** |

(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, 2023 | December 31, 2022 |
|---|---|---|
| Goodwill | $ 1,524,638 | $ 1,524,638 |
| Trademarks | 644,141 | 644,141 |
| Routes | 94,949 | 92,561 |
| Slots | 9,506 | 9,506 |

As of December 31, 2023, the Group did not identify potential goodwill, intangible assets nor equipment properties with impairment losses.

**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, 2023 | | Loyalty December 31, 2023 | |
|---|---|---|---|---|
| CGU carrying amount equity | $ | 720,568 | $ | 160,664 |
| Compound revenue growth (CAGR) during the planning period | | 5.65% | | 15.70% |
| Compound operating expense (CAGR) during the planning period | | 10.11% | | 12.3% |
| Compound Capital Expenditure rise during the planning period | | 5.14% to 9.44% | | 1.04% to 2.36% |
| Duration of planning period | | 5 years | | 5 years |
| Revenue growth p,a, after planning period | | 3.6% | | 3.6% |
| Operating Income after planning period | | 30.4% | | 21.9% |
| Capital expenditures after planning period | | 9.11% | | 1.42% |
| Business Enterprise Equity Value | $ | 1,268,951 | $ | 214,637 |
| Discount rate (CAPM) | | 26.03% | | 15.95% |

In 2023, the group applied the equity value method for the determination of the value in use.

## (16) Debt

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| **Currents:** | | | | |
| Short-term borrowings and current portion of long-term debt debt | $ | 219,608 | $ | 80,413 |
| Short-term aircraft rentals - right of use | | 245,219 | | 126,070 |
| Short-term other rentals - right of use | | 11,350 | | 6,560 |
| | **$** | **476,177** | **$** | **213,043** |
| **Non-currents:** | | | | |
| Long-term debt | $ | 2,268,613 | $ | 2,306,831 |
| Long-term aircraft rentals - rights of use | | 1,966,508 | | 1,428,632 |
| Long-term other rentals - right of use | | 60,312 | | 36,329 |
| | **$** | **4,295,433** | **$** | **3,771,792** |

Terms and conditions of the Group's outstanding obligations for the period ended December 31, 2023, are as follows:

(In USD thousands)

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | **Due through** | **Weighted average interest rates** | **Nominal value** | **Carrying Amount** |
| Long-term debt | 2032 | 9.45% | $ 2,634,535 | $ 2,488,221 |
| Aircraft rentals | 2035 | 10.90% | 2,678,091 | 2,211,727 |
| Other right of use | 2037 | 8.57% | 88,123 | 71,662 |
| **Total** | | | **$ 5,400,749** | **$ 4,771,610** |

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

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

| | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Corporate | $ 2,488,221 | $ 2,387,244 |
| Rights of use - IFRS 16 | 2,283,389 | 1,597,591 |
| **Total** | $ **4,771,610** | **$ 3,984,835** |

## Bank guarantees

In order to comply with certain contractual or operating obligations, as of December 31, 2023, the Group has a total of $20,244 (December 31, 2022: $23,556), in guarantees issued through financial entities.

## Covenants

During the year ended December 31, 2023, the Group was unable to comply with a non-financial covenant corresponding to a credit card receivables securitization (the "USAVFLOW Facility"). Consequently, in July 2023, the Company voluntarily prepaid the entire principal and interest balance of US$ 54,5 million related to the USAVFLOW Facility. This prompt prepayment served to remedy the default and releases all the associated collateral that can be used for a future financing.

As of December 31, 2023, the Group complied with all financial covenants associated with its debt contracts.

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

(In USD thousands)

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

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 $2,171,727 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, nine (9) 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, 2023** | **December 31, 2022** |
| 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, 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, 2023.

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

**Corporate debt**

December 31, 2023

| | Years | | | | | |
|---|---|---|---|---|---|---|
| | **One** | **Two** | **Three** | **Four** | **Five and later** | **Total** |
| Principal | $ 190,037 | $ 86,038 | $ 274,799 | $ 44,841 | $ 1,895,327 | $ 2,491,042 |
| Interests | $ 227,608 | $ 208,755 | $ 195,805 | $ 173,501 | $ 204,112 | $ 1,009,781 |

December 31, 2022

| | Years | | | | | |
|---|---|---|---|---|---|---|
| | **One** | **Two** | **Three** | **Four** | **Five and later** | **Total** |
| Principal | $ 33,270 | $ 141,965 | $ 69,811 | $ 27,960 | $ 1,781,649 | $ 2,054,655 |
| Interests | $ 180,090 | $ 174,143 | $ 163,847 | $ 159,767 | $ 316,789 | $ 994,636 |

(In USD thousands)

### Aircraft rights of use

December 31, 2023

| | Years | | | | | |
|---|---|---|---|---|---|---|
| | One | Two | Three | Four | Five and later | Total |
| Principal | $ 235,771 | $ 253,746 | $ 262,162 | $ 250,387 | $ 1,200,213 | $ 2,202,279 |
| Interests | $ 229,282 | $ 204,243 | $ 177,435 | $ 150,243 | $ 406,158 | $ 1,167,361 |

December 31, 2022

| | Years | | | | | |
|---|---|---|---|---|---|---|
| | One | Two | Three | Four | Five and later | Total |
| Principal | $ 164,610 | $ 187,867 | $ 198,801 | $ 202,950 | $ 809,720 | $ 1,563,948 |
| Interests | $ 133,889 | $ 116,985 | $ 111,703 | $ 92,461 | $ 223,693 | $ 678,731 |

### Other rights of use

December 31, 2023

| | Years | | | | | |
|---|---|---|---|---|---|---|
| | One | Two | Three | Four | Five and later | Total |
| Principal | $ 10,272 | $ 6,808 | $ 7,093 | $ 3,919 | $ 31,093 | $ 59,185 |
| Interests | $ 6,150 | $ 4,074 | $ 3,429 | $ 9,468 | $ 14,118 | $ 37,239 |

December 31, 2022

| | Years | | | | | |
|---|---|---|---|---|---|---|
| | One | Two | Three | Four | Five and later | Total |
| Principal | $ 1,334 | $ 1,958 | $ 1,206 | $ 1,039 | $ 39,261 | $ 44,798 |
| Interests | $ 2,593 | $ 3,041 | $ 2,924 | $ 2,852 | $ 24,810 | $ 36,220 |

(In USD thousands)

**Changes in liabilities derived from financing activities at December 31, 2023**

| | January 1, 2023 | New Loans (1) | New leases (2)&(3) | Financial cost | Payments (4) | Interest Payments | Others | Reclassifications | December 31, 2023 |
|---|---|---|---|---|---|---|---|---|---|
| Short-term loans (excluding items listed below) | $ 6,303 | $ — | $ — | $ 76 | $ (6,303) | $ (76) | $ — | $ — | $ — |
| Current portion of long-term credits (excluding items listed below) | 74,110 | 11,500 | 102,722 | 223,232 | (122,657) | (220,520) | (151) | 151.372 | 219,608 |
| Non-current portion long-term debt | 2,306,831 | — | — | — | — | — | 381 | (38,599) | 2,268,613 |
| Aircraft rentals– right of use | 1,554,702 | — | 930,001 | 212,420 | (187,124) | (183,585) | (1,914) | (112,773) | 2,211,727 |
| Other rentals – right of use | 42,889 | — | 23,915 | 6,779 | (9,287) | (4,633) | 11,999 | — | 71,662 |
| **Total liabilities from financing activities** | **$ 3,984,835** | **$ 11,500** | **$ 1,056,638** | **$ 442,507** | **$ (325,371)** | **$ (408,814)** | **$ 10,315** | **$ —** | **$ 4,771,610** |

(1) Corresponds to a new loan, at a fixed rate of 13%, to enable the Group to purchase certain Locations for Passenger Accommodations (LOPA) aligned with the Densification project for $11,500.
(2) The main additions in leases for the year ended December 31, 2023, correspond to aircraft rentals for the lease of thirty-nine (39) operating aircraft of the families A320 (33) and B787 (6) and three (3) spare engines for a total of $910,892. Additions of incremental rent for a $19,109, the financial lease of one (1) TRENT 1000-D2 for $31,508 and additional debt for $71,214 for the financial lease of four (4) aircraft A330F.
(3) The additions in other rentals for the year ended December 31, 2023, correspond to Avianca Hangar in El Dorado International Airport for $5,243 and VIP lounges for $12,620.
(4) The difference between these payments and the payments in the Consolidated Statement of Cash Flows corresponds to non-cash payments in miles for $2,003.

(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** | **$ (173,159)** | **$ (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)

**(17) Accounts Payable**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Currents:** | | |
| Trade accounts payable | $ 249,028 | $ 197,089 |
| Non-income taxes (1) | 288,505 | 195,784 |
| Social charges | 864 | 1,389 |
| Other accounts payable (2) | 12,283 | 35,592 |
| **Total** | **$ 550,680** | **$ 429,854** |

(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 advance payments for the purchase of engines, projects related to aircrafts and travel expenses.

**(18) Accrued Expenses**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Operational expenses (1) | $ 85,799 | $ 54,577 |
| **Total** | **$ 85,799** | **$ 54,577** |

(1) Corresponds mainly to travel expenses, fuel, components aeronautical, aeronautical policies, aircraft rental, air navigation, ground services and passenger services. In 2023, accrued expenses increased mainly for provision in travel expenses, components aeronautical and aircraft rental and aeronautical policies.

**(19) 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.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current | $ 8,098 | $ 5,522 |
| Non-current | 807,294 | 553,986 |
| **Total** | **$ 815,392** | **$ 559,508** |

(In USD thousands)

Changes in provisions for return conditions are as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Balances at the beginning of the year | $ 559,508 | $ 272,817 |
| Recognition of provisions (1) | 186,940 | 223,481 |
| Present value adjustment | 69,341 | 63,210 |
| Provision used | (397) | — |
| **Balances at the end of the year** | **$ 815,392** | **$ 559,508** |

(1) During the period ended December 31, 2023, provisions were established for aircraft which continued under this scheme $186,940 (December 31, 2022: $223,481).

## (20) Employee benefits

The Group sponsors defined benefit pension plans which require contributions to be made to separately administered funds. The Group also provides certain additional post-employment benefits. These benefits are unfunded as of December 31, 2023. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit cost method.

Actuarial gains and losses for defined benefit plans are recognized in full during the period in which they occur within other comprehensive income. The liability for employee benefits is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Defined benefit plan | $ 78,081 | $ 51,186 |
| Other benefits - short term | 118,879 | 69,894 |
| Other benefits - long term | 9,980 | 828 |
| **Total** | **$ 206,940** | **$ 121,908** |
| | | |
| Current | $ 135,749 | $ 81,687 |
| Non-Current | 71,191 | 40,221 |
| **Total** | **$ 206,940** | **$ 121,908** |

### CAXDAC Pension Plan Integration

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. The Group must transfer the value of their actuarial calculation to the CAXDAC pension fund and will have until the year 2023 to make such payments, from this date CAXDAC will become the responsible party for the obligation, until then the Group is the responsible for the obligation.

As of December 31, 2023, the Group requested the approval of the actuarial calculation to the Superintendencia de transporte in order to integrate the pension liability with CAXDAC for Avianca S.A. component. The approval was granted on 31 December 2023 by Superintendencia de transporte.

Subsequently, on January 26, 2024, the effects of the transfer were formalized through minute-002 of 2024. Finally, on January 29, 2024, Avianca S.A. obtained the not debt certification from CAXDAC and consequently integrated the liability and asset plan, in such a way Avianca S.A. was released from this obligation, remaining in charge of CAXDAC from that date.

For Tampa Cargo S.A.S., the approval of the actuarial calculation to the Superintendencia de transporte in order to integrate the pension liability with CAXDAC, was requested on February 12, 2024. The approval is still pending and is expected to be resolved during the first semester of 2024, until then, the Group is responsible for the obligation. As of December 31, 2023, the value of the actuarial calculation obligation is $7,633 and the fair value of the plan assets is $7,326.

For both components the 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.

**Other pension plans**

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

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 2023, there are 32 beneficiaries which have not been commuted. Consequently, the Company estimates through an actuarial calculation the pension liability of these beneficiaries.

(In USD thousands)

Below is the detail of the Group's pension obligations and assets and post-employment benefits measured under IAS 19:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Fair value of plan assets (1) | $ 272,797 | $ 157,261 |
| Present value of the obligation | (272,797) | (155,159) |
| **Total assets for employee benefits (2)** | **$ —** | **$ 2,102** |
| Fair value of plan assets | $ 7,575 | $ 4,372 |
| Present value of the obligation | (85,656) | (55,558) |
| **Total liability for employee benefits** | **$ (78,081)** | **$ (51,186)** |

(1) The fair value of the assets of the plan, for Avianca S.A. component, 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.

Due to the local regulations the Group's CAXDAC defined benefit plan, 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 (determined by actuarial calculation).

(2) As of December 31, 2023, the fair value of the plan assets, for Avianca S.A. component, is equal to the present value of the obligation (December 31, 2022: $2,102).

**Movements of Actuarial Valuation of Employee Benefits**

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, 2023 (recognized in wages, salaries and benefits)** | CAXDAC Benefit plan | Defined benefit plan | Other benefits |
|---|---|---|---|
| Current cost of the service | $ — | $ 1,026 | $ 845 |
| Cost of interest on obligations for benefits, net | 14,225 | 1,567 | 3,190 |
| Asset plan interest income | (14,614) | (22) | — |
| **Net benefit expense** | **$ (389)** | **$ 2,571** | **$ 4,035** |

(In USD thousands)

| **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** |

Changes in the present value of defined benefit obligation as of December 31, 2023, are as follows:

| | **CAXDC Tampa Benefit plan** | **Defined benefit obligations** | **Other benefits** | **Total** |
|---|---|---|---|---|
| **Benefit obligations as of December 31 2022** | **$ 5,770** | **$ 26,137** | **$ 23,651** | **$ 55,558** |
| Cost of interest and cost of service | 493 | 2,593 | 4,035 | 7,121 |
| Employer-paid benefits | (567) | (1,825) | (4,633) | (7,025) |
| Remeasurement of defined benefit liabilities | 389 | 4,907 | 19,203 | 24,499 |
| Reclassification to defined benefit obligation | — | (4,986) | — | (4,986) |
| Translation Adjustment | 1,548 | 2,835 | 6,106 | 10,489 |
| **Benefit obligations as of December 31 2023** | **$ 7,633** | **$ 29,661** | **$ 48,362** | **$ 85,656** |
| Plan assets | (7,326) | (249) | — | (7,575) |
| **Total employee benefits** | **$ 307** | **$ 29,412** | **$ 48,362** | **$ 78,081** |
| | | | | |
| **Current** | $ 307 | $ 11,693 | $ 4,870 | $ 16,870 |
| **Non-current** | — | 17,719 | 43,492 | 61,211 |
| **Total** | **$ 307** | **$ 29,412** | **$ 48,362** | **$ 78,081** |

(In USD thousands)

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 obligation and plan assets of Avianca CAXDAC as of December 31, 2023, and 2022 are as follows:

| | | Benefit plan CAXDAC Avianca |
|---|---|---|
| Benefit obligations as of December 31, 2022 | $ | **155,159** |
| Cost of interest for the period | | 13,732 |
| Employer-paid benefits | | (17,071) |
| Remeasurement of defined benefit liabilities | | 75,241 |
| Reclassification to defined benefit obligation | | 4,986 |
| Translation Adjustment | | 40,750 |
| **Benefit obligations as of December 31, 2023** | $ | **272,797** |
| Plan assets | | (272,797) |
| **Total employee benefits, net** | $ | **-** |

| | | 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, net** | | **(2,102)** |

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

| | | Defined benefit plan |
|---|---|---|
| Fair value of plan assets as December 31, 2022 | $ | 161,633 |
| Interest income on plan assets | | 14,636 |
| Return on plan assets higher / (lower) than projected | | 19,490 |
| Employee contributions | | 49,866 |
| Benefits paid | | (14,538) |
| Translation adjustment | | 49,285 |
| **Fair Value of plan assets as December 31, 2023** | **$** | **280,372** |

| | | 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** |

(In USD thousands)

*Other comprehensive income movement*

For the year ended December 31, 2023, actuarial losses of ($80,250) (December 31, 2022: $(30,040), were recognized in other comprehensive income:

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Actuarial losses recognized in other comprehensive income | $ | (99,740) | $ | (5,909) |
| Adjustment in return on plan assets | | 19,490 | | (24,131) |
| **Losses recognized in other comprehensive income** | **$** | **(80,250)** | **$** | **(30,040)** |

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:

**CAXDAC**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 7.12% | 8.14% |
| Price inflation long-term | 4.0% | 3.98% |

**Other plans**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Discount rate | 10.03% | 11.11% |
| Others Colombia | 10.30% | 12.98% |
| Other | 9.75% | 9.25% |
| Price inflation long-term | 4.00% | 3.00% |

The average duration of the benefit plan obligation as of December 31, 2023, is 9,03 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.

(In USD thousands)

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

| | 0,5% increase | 0,5% decrease |
|---|---|---|
| Discount rate | (2,661) | 2,915 |
| Salary increases rate | 1,114 | (1,065) |
| Mortality rate | 4 | 4 |
| Health care cost | 1,772 | (1,548) |

## (21) Air traffic liability and frequent flyer deferred revenue

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Air traffic liability (1) | $ | 680,425 | $ | 589,825 |
| Miles deferred revenue (2) | | 164,540 | | 165,165 |
| **Current** | **$** | **844,965** | **$** | **754,990** |
| Miles deferred revenue | $ | 271,964 | $ | 289,847 |
| **Non–current** | **$** | **271,964** | **$** | **289,847** |

(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.

(In USD thousands)

**(22) Equity and Other Comprehensive Income ("OCI") Reserves**

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Common shares issued and paid | 39,569,223 | 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 Investment Vehicle 1 Limited is the controlling shareholder.

*Issue of ordinary shares*

On June 7 and November 15, 2023, pursuant to the Further Modified Joint Chapter 11 Plan of Avianca Holdings S.A. and Its Affiliated Debtors [Docket No. 2259], which was confirmed by the U.S. Bankruptcy Court for the Southern District of New York on November 2, 2021 (the "Plan"), subsequent issuances of shares to 129 and 49, respectively, Electing General Unsecured Claimholders (as defined in the Plan, each such claimholder a "GUC") were completed (the "Issuances"). The Issuances, which were all implemented on June 7 and November 15, 2023, respectively included:

- The allotment and issuance to each GUC of 335,045 and 24,178 ordinary shares of US$0.0001 each in the capital of AGIL;
- Immediately after, the exchange of the shares received in AGIL for an equal number of IV1L shares;
- Immediately after, the transfer to Abra of the shares received in IV1L in consideration for such number of shares in Abra as established in the transaction documents.

As a consequence of the foregoing, the GUCs are currently Abra shareholders and IV1L remains AGIL's sole shareholder.

(In USD thousands)

## Other Comprehensive Income ("OCI") Reserves

The movement of other comprehensive income from December 31, 2023, is as follows:

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fair value reserves (1)** | **Reserve related to actuarial gains and losses (2)** | **Income Tax of reserve related to actuarial gains and losses (3)** | **Revaluation and other reserves (4)** | **Currency translation effect (5)** | **Total** | **NCI** | **Total OCI** |
| **As of December 31, 2022** | **$ (2,030)** | **$ (16,282)** | **$ (102)** | **$ 1,265** | **$ (4,388)** | **$ (21,537)** | **$ (870)** | **$ (22,407)** |
| Other results comprehensive (loss) | 800 | (78,910) | (336) | 22,826 | 4,590 | (51,030) | (1,340) | (52,370) |
| **As of December 31, 2023** | **$ (1,230)** | **$ (95,192)** | **$ (438)** | **$ 24,091** | **$ 202** | **$ (72,567)** | **$ (2,210)** | **$ (74,777)** |

(In USD thousands)

**(1) Fair value reserves**

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

**(2) 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.

**(3) 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.

**(4) Revaluation and other reserves**

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

**(5) Foreign currency translation differences**

Represents the effect of the translation from the functional currency.

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, 2023** | **December 31, 2022** |
|---|---|---|
| Cash flow hedges: | | |
| Reclassification during the period | | |
| Effective valuation of cash flow hedged | $ – | $ (194) |
| | **$ –** | **$ (194)** |
| Fair value reserves: | | |
| Valuations of investments in fair value with changes in OCI | $ 800 | $ (2,019) |
| | **$ 800** | **$ (2,019)** |

(In USD thousands)

## (23) Non-controlling interest (NCI)

The information related to each of the subsidiaries of the Group that has material NCI, is summarized below:

### As of December 31, 2023

| | Taca International Airlines S.A. | Avianca Costa Rica S.A. | Other individually subsidiaries | Total |
|---|---|---|---|---|
| **Percentage non-controlling Interest** | **3.17%** | **7.58%** | | |
| Assets net | $ 544,338 | $ 25,037 | $ 4,106,396 | $ 4,675,771 |
| Liabilities net | (566,445) | (32,116) | (4,060,975) | (4,659,536) |
| **Net assets** | **(22,107)** | **(7,079)** | **45,421** | **16,235** |
| Net profit (loss) | 3,366 | 2,764 | (2,444) | 3,686 |
| Other comprehensive income | $ 106 | $ 210 | $ (1,656) | $ (1,340) |

### 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 |

## (24) Derivative instruments

During 2023, The Group acquired call options of jet fuel not exercised for $4,079 (2022: $14,045) and recognized in fuel expenses for the same amount (2022: 13,886). As of December 31, 2023, and 2022 there are no hedging instruments assets or liabilities.

(In USD thousands)

## (25) Fair value measurements

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

**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 20) | — | 280,372 | — | 280,372 |
| Airbus aircraft and engines held for sale (note 13) | | 10,743 | — | 10,743 |
| Investments (note 7) | — | 257,553 | — | 257,553 |
| Revalued administrative property (note 14) | — | — | 111,949 | 111,949 |

**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) | — | 2,248,230 | — | 2,248,230 |

(In USD thousands)

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 20) | — | 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 |

## 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.

(In USD thousands)

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.

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, 2023, 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, 2023**

| Country | Valuation technique | Significant unobservable entries (In dollars) |
|---|---|---|
| El Salvador | The criteria for valuing the assets object of this offer were the fair value defined by IFRS (international financial reporting standards), as the value that corresponds to the price that would be received for selling an asset or paid to transfer a liability in a transaction, tender, orderly and mutual among duly informed market participants and on a specific date. | Square meter prices: $20 (December 31, 2022: $21,49).<br>Total prices rental: $281,499 (December 31, 2022: $181,850.19). |

(In USD thousands)

| December 31, 2023 | | |
|---|---|---|
| Country | Valuation technique | Significant unobservable entries (In dollars) |
| Colombia | Market comparison approach: a method of assessing property by analyzing the prices of similar properties sold in the past and then making adjustments based on differences between the properties and the relative age of the other sale. | Expected market rental growth: 5% (December 31, 2022: 5%). Appreciation or depreciation of the Colombian peso against the US dollar: 21% (December 31, 2022: 21%). |

## (26) Income tax expense and other taxes

| | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Current income tax – assets | $ | 126,089 | $ | 83,637 |
| **Other current taxes** | | | | |
| Current VAT – assets | | 48,410 | | 85,821 |
| Other current taxes | | 21,653 | | 6,797 |
| Total other current taxes | | 70,063 | | 92,618 |
| **Total current taxes – assets** | **$** | **196,152** | **$** | **176,255** |
| | | | | |
| Current income tax – liabilities | **$** | (25,523) | $ | (6,607) |
| Others | | (11,519) | | (3,496) |
| **Total Current income tax – liabilities** | **$** | **(37,042)** | **$** | **(10,103)** |

The Group has analyzed the impact of the Global Minimum Tax initiatives, which are set to be effective from 2024. The Group also considered its expected implementation in the United Kingdom from January 1st, 2024.

The analysis focused on assessing the taxable profit or loss within the jurisdiction of Costa Rica, with particular emphasis on the impact of the loyalty program located in a free trade zone. The analysis encompassed all complementary taxes of Pillar Two collected by the tax authorities, which typically constitute income taxes falling under the scope of IAS 12.

The outcome of this examination reveals that the Costa Ricans Effective Tax Rate (ETR) for 2024 will exceed 15%. Nonetheless, given this assessment relied on financial projections, the Group will conduct periodic monitoring of these findings.

(In USD thousands)

## Components of income tax expense

Income tax expense for the year ended December 31, 2023, is comprised of the following:

***Consolidated statement of comprehensive income***

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Current income tax:** | | |
| Current income tax charge | $ (38,905) | $ (10,112) |
| Current income tax charge discontinued operations | — | 1,282 |
| **Subtotal** | **$ (38,905)** | **$ (8,830)** |
| **Deferred tax expense:** | | |
| Relating to origination and reversal of temporary differences | 36,980 | 1,512 |
| **Subtotal** | **36,980** | **1,512** |
| **Income tax expense reported in the income statement** | **$ (1,925)** | **$ (7,318)** |

## Amounts recognized in OCI

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Items that will not be reclassified to profit or loss:** | | |
| Revaluation of property, plant and equipment | $ (602) | $ (1,187) |
| Remeasurements of defined benefit liability (asset) | 266 | 457 |
| | **$ (336)** | **$ (730)** |

## Amounts recognized in equity

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

## Reconciliation of the tax effective rate

| | | | December 31, 2023 |
|---|---|---|---|
| Profit after tax from continuing operations | | $ | **138,004** |
| Income tax expense | | | 1,925 |
| **Profit before tax from continuing operations** | | $ | **139,929** |
| Tax using the company´s domestic tax rate | 33% | | 46,177 |
| Non temporary differences | (27.18%) | | (38,026) |
| Losses in non-taxable jurisdictions | (115.11%) | | (161,078) |
| Year tax losses without deferred tax | 51.29% | | 71,776 |
| Others | 56.62% | | 79,226 |
| | **(1.38%)** | **$** | **(1,925)** |

(In USD thousands)

| | | | 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 |
| Year 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, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Accounts payable | $ | 480 | $ | 1,239 |
| Provisions | | 42,678 | | 2,666 |
| Loss carry forwards | | 18,683 | | 15,289 |
| Leases- IFRS 16 | | 43,519 | | 5,785 |
| Other | | (63,956) | | 1,955 |
| Aircraft maintenance | | (1,444) | | (7,864) |
| Non-monetary items | | 631 | | (16,820) |
| Intangible assets | | (131,192) | | (130,534) |
| **Net deferred tax assets / (liabilities)** | **$** | **(90,601)** | **$** | **(128,284)** |

| | | | | |
|---|---|---|---|---|
| Deferred tax assets | $ | 45,444 | $ | 27,397 |
| Deferred tax liabilities | | (136,045) | | (155,681) |
| **Net deferred tax assets / (liabilities)** | **$** | **(90,601)** | **$** | **(128,284)** |

## Reconciliation of deferred tax liabilities, net

| Concepts | | December 31, 2023 |
|---|---|---|
| **As of December 31, 2022** | **$** | **(128,284)** |
| Recognized in profit and loss | | 36,980 |
| Recognized in other comprehensive income | | (336) |
| Conversion effect | | 1,039 |
| **As of December 31, 2023** | **$** | **(90,601)** |

(In USD thousands)

| 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 there from:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Deductible temporary differences | $ 112,848 | $ 45,630 |
| Tax losses | 289,284 | 256,473 |
| | **$ 402,132** | **$ 302,103** |

**Tax losses carried forward**

Tax losses were realized by the subsidiaries in Colombia, and Costa Rica. Currently, tax losses in Colombia expire in 12 years, in Costa Rica it expires in 3 years.

(In USD thousands)

**Tax rates**

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

| Country | Applicable tax rate |
|---|---|
| Colombia | 35% |
| United Kingdom (*) | 25% |
| Brazil | 34% |
| Chile | 27% |
| Costa Rica | 30% |
| Ecuador | 28% |
| El Salvador | 30% |
| Guatemala | 25% |
| Honduras | 25% |
| México | 35% |
| Nicaragua | 30% |
| Panamá | 25% |
| United States | 21% |

(*) The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate in the United Kingdom from 19% to 25% with effect on April 1, 2023.

**Uncertainty over income tax treatments**

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

**Global minimum top-up tax**

On October 8th, 2021, 136 countries reached an agreement for an international tax reform. The agreement proposes two pillars. The first pillar is about how to divide taxing rights between countries. The second pillar is about how to ensure that multinational enterprises pay a minimum level of tax. The Pillar Two Global Anti-Base Erosion Model Rules propose four new taxing mechanisms. These mechanisms would ensure that multinational enterprises pay a minimum level of tax. These mechanisms include:

1. The "subject to tax" rule, which proposes a minimum tax on certain cross-border intercompany transactions that are not subject to a minimum level of tax.

2. The "income inclusion" rule, which proposes a minimum tax on the income arising in each jurisdiction in which the Group operates.

(In USD thousands)

3. The "undertaxed payments" rule, which proposes a minimum tax on certain cross-border payments that are subject to tax but taxed at a low rate.

4. The "qualified domestic minimum top-up tax", which generally proposes a minimum tax on the income arising in each jurisdiction in which the Group operates.

Although the Group operates in several jurisdictions, the UPE (Ultimate Parent Entity) has been determined to be in the United Kingdom. The UK has yet to enact legislation to implement the global minimum top-up tax. However, the Group has already initiated the analysis of its impact, focusing mainly on Costa Rica, where the loyalty business is subject to tax at a legal rate of 0%. Nonetheless, since no legislation has been enacted, there is no current tax impact in the period ending December 31st, 2023.

The UK is expected to implement these new rules as of January 2024.

## (27) Provisions for legal claims

As of December 31, 2023, the Group has been involved in various lawsuits and legal actions that arise through normal commercial activities. Of the total lawsuits and legal actions, Management has calculated a probable loss of $31,125 (December 31, 2022: $47,124). 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, 2023, are as follows:

| | | **December 31, 2023** | | **December 31, 2022** |
|---|---|---|---|---|
| Balances at the beginning of the period | $ | 47,124 | $ | 56,278 |
| Provisions constituted (1) | | 8,409 | | 10,756 |
| Provisions reverse (2) | | (7,996) | | (12,892) |
| Lawsuits deposits | | (8,828) | | (5,435) |
| Provisions used (3) | | (7,584) | | (1,583) |
| **Balances at the end of the period** | **$** | **31,125** | **$** | **47,124** |

(1) During the year ended December 31, 2023, were constituted provisions related with tax and consumer protection processes for $3,947 and $1,536 respectively (December 31, 2022: $58 and $1,434 respectively). Also were recognized $327 (December 31, 2022: $6,193) for the net present value of claims, mainly tributary, consumer protection and labor.

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

(3) Corresponds to the use of the provision mainly in tax processes, consumer protection and labor.

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, 2023, these contingencies totaled $149,414 (December 31, 2022: $163,155). Certain losses that could arise from these litigations will be covered by insurance or with funds provided by third parties. The judicial processes resolved with said forms of payment are estimated at $13,878 as of December 31, 2023 (December 31, 2022: $16,447).

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

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

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

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

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

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

***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 Avianca'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 Avianca, which, as usual, has been provided under the principle of active collaboration with authorities.  Formally, no employee or collaborator related to Avianca has been linked to the investigations conducted by the Colombian authorities.

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

***SIC investigation into the acquisition of the Airlines Viva***

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

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

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

(In USD thousands)

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

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

**(28) Future aircraft leases payments**

The Group has one hundred fifty-one (151) aircraft that are under leases for an average lease term of 78 months. Leases can be renewed, in accordance with the Administration's business plan. The following is the summary of the future commitments of leases:

| | Aircraft |
|---|---|
| Less than one year | $ 454,630 |
| Between one and five years | 1,627,360 |
| More than five years | 1,208,984 |
| | **$ 3,290,974** |

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

Avianca Group International has twenty-seven (27) spare engines that are under leases to support its aircraft fleet of A320, B787, A300 and B767 Families. The following is the summary of the future commitments of leases:

(In USD thousands)

| | Aircraft |
|---|---|
| Less than one year | $ 10,422 |
| Between one and five years | 27,451 |
| More than five years | 40,793 |
| | **$ 78,666** |

The value of payments recognized as expenses is:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Leases minimum payments | $ 131,468 | $ 225,343 |

**(29) Acquisition of aircraft**

In accordance with the agreements in effect, future commitments related to the acquisition of aircraft and engines as of December 31, 2023, are as follows:

| | Less than one year | 1-3 years | 3-5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Aircraft and engine purchase commitments | $ 81,020 | $ 1,281,871 | $ 2,384,782 | $ 1,952,319 | $ 5,699,992 |

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

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

During 2023, we reached an agreement with Airbus to execute 15 option aircraft, 5 aircraft for 2027 and 10 for 2028, as part of our business plan. These options are part of the current Purchase Agreement with Airbus.

**(30) Dividends**

The Group did not decree or pay dividends during the year ended December 31, 2023.

(In USD thousands)

## (31) Operating Revenue

| | For the year ended December 31, 2023 | Percentage | For the year ended December 31, 2022 | Percentage |
|---|---|---|---|---|
| **Domestic** | | | | |
| Passengers | $ 1,677,207 | 35% | $ 1,663,477 | 42% |
| Ancillaries | 477.433 | 10% | 202,652 | 5% |
| Cargo and mail | 340.711 | 7% | 382,458 | 9% |
| | **2,495,351** | **52%** | **2,248,587** | **56%** |
| **International** | | | | |
| Passengers | 1,436,551 | 30% | 1,118,983 | 27% |
| Ancillaries | 416,765 | 9% | 147,449 | 4% |
| Cargo and mail | 335,861 | 7% | 432,416 | 11% |
| | **2,189,177** | **46%** | **1,698,848** | **42%** |
| Others (1) | 86,598 | 2% | 100,421 | 2% |
| **Total operating income** | **$ 4,771,126** | **100%** | **$ 4,047,856** | **100%** |

### (1) Other Operating Income

| | For the year ended December 31, 2023 | For the year ended December 31, 2022 |
|---|---|---|
| Frequent flyer program | $ 31,974 | $ 35,378 |
| Ground operations (a) | 5,722 | 11,627 |
| Maintenance | 1,809 | 655 |
| Leases | 8,101 | 6,410 |
| Interline | 52 | 88 |
| Others (b) | 38,940 | 46,263 |
| | **$ 86,598** | **$ 100,421** |

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

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

(In USD thousands)

**Contract balances**

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

| | Notes | | December 31, 2023 | | December 31, 2022 |
|---|---|---|---|---|---|
| Net of accounts receivable | 8 | $ | 233,913 | $ | 221,332 |
| Prepaid compensation to clients | 11 | | 899 | | 1,162 |
| Air traffic responsibility | 21 | | 680,425 | | 589,825 |
| Frequent flyer deferred revenue | 21 | | 436,504 | | 455,012 |

**(32) Subsequent Events**

1. In accordance with Law 860 of 2003, Decree-Law 1282 and 1283 of 1994, as of December 31, 2023, the Group requested the approval of the CAXDAC (Caja de Auxilios y de Prestaciones de ACDAC) pensions actuarial calculation to the Superintendencia de transporte, this approval was formalized, for the component of Avianca S.A., on January 26, 2024, through minute 002 of 2024.

   Likewise, on January 29, 2024, Avianca S.A. obtained the not debt certification from CAXDAC and consequently integrated the liability and asset plan, in such a way Avianca S.A. was released from this obligation, remaining in charge of CAXDAC from that date.

2. For Tampa Cargo S.A.S., the approval of the actuarial calculation to the Superintendencia de transporte in order to integrate the pension liability with CAXDAC, was requested on February 12, 2024, and is still pending to approval.

3. On March 1, 2024, Avianca filed before the SIC and within the time established by this authority the antitrust program for it to be reviewed by the SIC in accordance with the ninth remedy.

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