
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F/A

Amendment No. 1

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-36142

AVIANCA HOLDINGS S.A.

(Exact name of registrant as specified in its charter)

Avianca Holdings S.A.
(Translation of registrant's name into English)

Republic of Panama
(Jurisdiction of incorporation or organization)

**Arias, Fábrega & Fábrega, P.H. ARIFA, Floors 9 and 10, West Boulevard, Santa María Business District
Panama City, Republic of Panama
(+507) 205-6000
(Address of principal executive offices)**

**Luca Pfeifer
Tel: (57+1) 587 77 00 ext. 7575 • Fax: (57+1) 423 55 00 ext. 2544/2474
Address: Avenida Calle 26 # 59 – 15 P5, Bogotá, Colombia
(Name, telephone, e-mail and/or facsimile number and address of company contact person)**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
American Depository Shares (as evidenced by American Depository Receipts), each representing 8 preferred shares, with a par value of \$0.125 per preferred share	AVH	N/A*

* The New York Stock Exchange filed Form 25 with the U.S. Securities and Exchange Commission on May 27, 2020 in order to delist the American Depository Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2019:

Common Shares — 660,800,003

Preferred Shares — 340,507,917 (includes 4,320,632 preferred shares held on behalf of the registrant)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as
issued by the International Accounting Standards
Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (this “Amendment”) amends the Annual Report on Form 20-F of Avianca Holdings S.A. for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission (“SEC”) on June 11, 2020 (the “Form 20-F”). In the Form 20-F we inadvertently omitted “/s/ KPMG S.A.S.” on the signature line in each of the documents titled “Report of Independent Registered Public Accounting Firm” (the “Audit Reports”) under Item 18 in the report of KPMG S.A.S., and in Exhibit 15.2. The Audit Reports were signed by KPMG S.A.S. and delivered to us prior to the original filing of the Form 20-F, but the conformed signature line was inadvertently omitted from the versions of the Audit Reports included in the filing.

This Form 20-F/A is being filed solely to include the inadvertently omitted conformed signature of KPMG S.A.S. in the Audit Reports relating to the consolidated financial statements and the effectiveness of internal control over financial reporting. In order to comply with certain requirements of the SEC rules in connection with this filing, this Amendment includes Item 18. Financial Statements and Item 19. Exhibits. No other changes were made to the Audit Reports or to the Form 20-F. The consolidated financial statements and notes to consolidated financial statements have remained the same as that previously filed in the Form 20-F.

This Amendment reflects information as of the filing date of the Form 20-F, does not reflect events occurring after that date and does not modify or update in any way disclosures made in the Form 20-F, except as specifically noted above.

Consistent with the rules of the SEC, the certifications of the Company’s principal executive officer and principal financial officer as of the date of this Amendment are attached as exhibits to this Amendment. The only change in these certifications from the certifications of the Company’s principal executive officer and principal financial officer filed as exhibits to the Form 20-F is their date. In addition, the Company is also attaching as Exhibit 101 hereto the Interactive Data File disclosure furnished as Exhibit 101 to the Form 20-F. No changes have been made to the Interactive Data File disclosure furnished as Exhibit 101 to this Amendment from the Interactive Data File disclosure furnished as Exhibit 101 to the Form 20-F.

Item 18. Financial Statements

See our audited consolidated financial statements beginning at page F-1.

Item 19. Exhibits

Pursuant to the rules and regulations of the SEC, we have filed the following exhibits to this annual report:

<u>Exhibit Number</u>	<u>Item</u>
1.18	English translation of our bylaws, as amended.
2.19	Description of the registrant's securities registered under Section 12 of the Exchange Act.
2.21	English translation of Temporary Bonus Plan adopted on March 6, 2012.
2.31	Amended and Restated Registration Rights Agreement, dated as of September 11, 2013, among the registrant, Synergy Aerospace Corp. and Kingsland Holdings Limited.
2.48	Second Amended and Restated Registration Rights Agreement, dated November 29, 2018, among the registrant, Kingsland Holdings Limited, Synergy Aerospace Corp., BRW Aviation LLC and United Airlines Inc.
2.51	Joint Action Agreement, dated as of September 11, 2013, among the registrant, Synergy Aerospace Corp. and Kingsland Holding Limited.
2.67	Amended and Restated Joint Action Agreement, dated November 29, 2018, by and among the registrant, Kingsland Holdings Limited, BRW Aviation LLC, United Airlines Inc. and Synergy Aerospace Corp.
2.77	Share Rights Agreement, dated November 29, 2018, among the registrant, Kingsland Holdings Limited, BRW Aviation LLC and United Airlines Inc.
3.11	English translation of Irrevocable Administration Mercantile Trust Agreement, dated as of March 23, 2012, by and between Fiduciaria Bogotá S.A. and the registrant (formerly AviancaTaca Holding S.A.).
4.11	English translation of Lease Agreement No. OP-DC-CA-T2-0060-12, dated October 29, 2012, between Sociedad Concesionaria Operadora Aeroportuaria Internacional S.A.—Opain S.A. and Aerovias del Continente Americano S.A. Avianca.

<u>Exhibit Number</u>	<u>Item</u>
4.1.11	English translation of Lease Agreement No. OP-DC-CA-T1-0028-12, dated October 29, 2012, between Sociedad Concesionaria Operadora Aeroportuaria Internacional S.A.—Opain S.A. and Aerovias del Continente Americano S.A. Avianca.
4.1.21	English translation of Lease Agreement No. OP-DC-CA-T2-0061-12, dated October 29, 2012, between Sociedad Concesionaria Operadora Aeroportuaria Internacional S.A.—Opain S.A. and Aerovias del Continente Americano S.A. Avianca.
4.21	English translation of Lease Agreement, dated as of July 30, 2004, between U.A.E. Aeronautica Civil and Aerovias Nacionales de Colombia S.A. Avianca.
4.2.11	English translation of Amendment No. 1 to Lease Agreement, dated as of December 12, 2005.
4.2.21	English translation of Amendment No. 2 to Lease Agreement, dated as of January 5, 2009.
4.2.31	English translation of Amendment No. 3 to Lease Agreement, dated as of November 7, 2012.

4.2.41 [English translation of Amendment No. 4 to Lease Agreement, dated as of March 1, 2013.](#)

4.32 [English translation of Fuel Supply Contract, dated as of April 22, 2013, between Terpel S.A. and Aerovías del Continente Americano S.A. Avianca.](#)

4.41 [A320 Purchase Agreement, dated March 19, 1998, between Atlantic Aircraft Holding Limited and Airbus Industry relating to Airbus A320-Family.](#)

4.4.11 [Amendment No. 1 dated as of September 9, 1998 to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S. \(as successor to Airbus Industry\).](#)

4.4.21 [Amendment No. 2 dated as of December 28, 1999, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.31 [Amendment No. 3 dated as of December 29, 1999, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.41 [Amendment No. 4 dated as of February 15, 2000, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.51 [Amendment No. 5 dated as of April 6, 2001, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.61 [Amendment No. 6 dated as of April 9, 2001, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.71 [Amendment No. 7 dated as of September 6, 2001, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.81 [Amendment No. 8 dated as of August 29, 2002, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.91 [Amendment No. 9 dated as of December 6, 2002, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.101 [Amendment No. 10 dated as of October 30, 2003, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.111 [Amendment No. 11 dated as of November 18, 2004, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.121 [Amendment No. 12 dated as of November 8, 2004, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.131 [Amendment No. 13 dated as of November 18, 2004, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.141 [Amendment No. 14 dated as of February 18, 2006, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

<u>Exhibit Number</u>	<u>Item</u>
4.4.151	Amendment No. 15 dated as of June 22, 2007, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.
4.4.161	Amendment No. 16 dated as of November 22, 2007, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.
4.4.171	Amendment No. 17 dated as of April 14, 2008, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.

4.4.18¹ [Amendment No. 18 dated as of January 30, 2009, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.19¹ [Amendment No. 19 dated as of April 28, 2009, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.20¹ [Amendment No. 20 dated as of February 10, 2010, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.21¹ [Amendment No. 21 dated as of April 29, 2011, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.22¹ [Amendment No. 22 dated as of August 26, 2011, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.23¹ [Amendment No. 23 dated as of October 21, 2011, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.24¹ [Amendment No. 24 dated as of March 11, 2012, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.25¹ [Amendment No. 25 dated as of March 29, 2012, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.26¹ [Amendment No. 26 dated as of March 29, 2012, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.27¹ [Amendment No. 27 dated as of November 30, 2012, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.28³ [Amendment No. 28 dated as of October 11, 2013, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.4.29³ [Amendment No. 29 dated as of February 28, 2014, to the A320 Purchase Agreement dated as of March 19, 1998, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.5¹ [A320 Purchase Agreement, dated April 16, 2007, between Aerovías del Continente Americano S.A. Avianca and Airbus S.A.S. relating to Airbus A320-Family.](#)

4.5.1¹ [Amendment No. 1 dated as of June 16, 2007, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.5.2¹ [Amendment No. 2 dated as of September 10, 2007, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.5.3¹ [Amendment No. 3 dated as of November 27, 2007, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.5.4¹ [Amendment No. 4 dated as of January 31, 2008, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.5.5¹ [Amendment No. 5 dated as of July 16, 2008, to the A320 Family Purchase Agreement dated as April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.5.6¹ [Amendment No. 6 dated as of December 5, 2008, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.](#)

4.5.7¹ [Amendment No. 7 dated as of July 6, 2009, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.](#)

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4.5.81	<u>Amendment No. 8 dated as of October 10, 2009, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.</u>
4.5.91	<u>Amendment No. 9 dated as of March 12, 2010, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.</u>
4.5.101	<u>Amendment No. 10 dated as of November 22, 2010, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.</u>
4.5.111	<u>Amendment No. 11 dated as of August 26, 2011, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.</u>
4.5.121	<u>Amendment No. 12 dated as of October 10, 2011, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.</u>
4.5.131	<u>Amendment No. 13 dated as of June 13, 2012, to the A320 Family Purchase Agreement dated as of April 16, 2007, as amended and restated, between the registrant and Airbus S.A.S.</u>
4.61	<u>Assignment, Assumption and Amendment Agreement dated as of May 18, 2012, entered into among Aerovías del Continente Americano S.A. Avianca, Synergy Aerospace Corp. and Airbus S.A.S. in respect of four (4) A330-200F of the thirteen (13) A330-200 and A330-200F under the Purchase Agreement dated September 5, 2011 (the A330-200F Purchase Agreement).</u>
4.6.11	<u>Amendment No. 1, dated as of August 16, 2012, to the A330-200F Purchase Agreement dated as of May 18, 2012, as amended and restated, between the registrant and Airbus S.A.S.</u>
4.71	<u>A320 Family and A320 NEO Family Purchase Agreement dated as of December 27, 2011 between the registrant (formerly known as AviancaTaca Holding S.A.) and Airbus S.A.S. relating to Airbus A320-Family and A320 NEO Family.</u>
4.7.11	<u>Amendment No. 1, dated as of February 28, 2013, to the A320 Family and A320 NEO Family Purchase Agreement dated as of December 27, 2011, between the registrant and Airbus S.A.S.</u>
4.7.24	<u>Amendment dated as of April 30, 2015 to the A320 Family and A320 NEO Family Purchase Agreement dated as of December 27, 2011, among the registrant Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.7.35	<u>Cancellation Amendment No. 2 dated as of April 20, 2016 among the registrant, Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.7.45	<u>Cancellation Amendment No. 3 dated as of August 22, 2016 among the registrant, Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.81	<u>Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, entered into among Aerovías del Continente Americano S.A. Avianca, the registrant and Airbus S.A.S. in respect of twenty six (26) A320 Family Aircraft and A320 NEO Family under the A320 Family and A320 NEO Family Purchase Agreement dated December 27, 2011.</u>
4.8.13	<u>Amendment No. 1, dated as of February 28, 2014, to the Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, entered into among Aerovías del Continente Americano S.A. the registrant and Airbus S.A.S.</u>
4.8.23	<u>Assignment, Assumption and Amendment Agreement dated as of December 31, 2014, entered into among Aerovías del Continente Americano S.A. Avianca, the registrant and Airbus S.A.S. (the Second Avianca Assignment).</u>
4.8.33	<u>Amendment No. 2, dated as of March 27, 2015 to the Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, entered into among Aerovías del Continente Americano S.A. Avianca, the registrant and Airbus S.A.S.</u>
4.8.44	<u>Amendment No. 3, dated as of September 21, 2015, to the Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, between Aerovías del Continente Americano S.A. Avianca and Airbus S.A.S.</u>

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4.91	<u>Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, entered into among Grupo Taca Holdings Limited, the registrant and Airbus S.A.S. in respect of twenty five (25) A320 Family and A320 NEO Family Aircraft under the A320 Family and A320 NEO Family Purchase Agreement dated December 27, 2011.</u>
4.9.13	<u>Amendment No. 1, dated as of March 31, 2014, to the Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, entered into among Grupo Taca Holdings Limited, the registrant and Airbus S.A.S.</u>
4.9.23	<u>Amendment No. 2, dated as of July 31, 2014, to the Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, entered into among Grupo Taca Holdings Limited, the registrant and Airbus S.A.S.</u>
4.9.33	<u>Assignment, Assumption and Amendment Agreement dated as of December 31, 2014, entered into among Grupo Taca Holdings Limited, the registrant and Airbus S.A.S. (the Second Taca Assignment).</u>
4.9.43	<u>Amendment No. 3, dated as of March 27, 2015, to the Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, entered into among Grupo Taca Holdings Limited, the registrant and Airbus S.A.S.</u>
4.9.54	<u>Amendment No. 4, dated as of September 21, 2015, to the Assignment, Assumption and Amendment Agreement dated as of February 28, 2013, between Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.101	<u>Purchase Agreement No. 3075, dated October 3, 2006, as amended and supplemented, between Aerovías del Continente Americano S.A. Avianca (The Company) and The Boeing Company, relating to the purchase and sale of ten (10) Boeing Model 787-859 aircraft.</u>
4.10.11	<u>Supplemental Agreement No. 1 dated as of March 28, 2007, to the Purchase Agreement No. 3075, dated October 3, 2006, as amended and supplemented, between the registrant and The Boeing Company.</u>
4.10.21	<u>Supplemental Agreement No. 2 dated as of March 28, 2007, to the Purchase Agreement No. 3075, dated November 21, 2007, as amended and supplemented, between the registrant and The Boeing Company.</u>
4.10.31	<u>Supplemental Agreement No. 3 dated as of September 26, 2012, to the Purchase Agreement No. 3075, dated November 21, 2007, as amended and supplemented, between the registrant and The Boeing Company</u>
4.10.41	<u>Supplemental Agreement No. 4 dated as of January 11, 2013, to the Purchase Agreement No. 3075, dated November 21, 2007, as amended and supplemented, between the registrant and The Boeing Company.</u>
4.10.53	<u>Supplemental Agreement No. 5 dated as of April 15, 2014, to the Purchase Agreement No. 3075, dated October 3, 2006, as amended and supplemented, between the registrant and The Boeing Company.</u>
4.10.66	<u>Supplemental Agreement No. 6 dated as of July 25, 2017, to the Purchase Agreement No. 3075, dated October 3, 2006, as amended and supplemented, between the registrant and The Boeing Company.</u>
4.10.76	<u>Supplemental Agreement No. 7 dated as of September 19, 2017, to the Purchase Agreement No. 3075, dated October 3, 2006, as amended and supplemented, between the registrant and The Boeing Company.</u>
4.10.88	<u>Supplemental Agreement No. 8 dated as of May 3, 2018, to the Purchase Agreement No. 3075, dated October 3, 2006, as amended and supplemented, between the registrant and The Boeing Company.</u>

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4.10.98	<u>Supplemental Agreement No. 9 dated as of February 26, 2019, to the Purchase Power Agreement No. 3075, dated October 3, 2006, as amended and supplemented, between the registrant and The Boeing Company.</u>
4.10.109	<u>Supplemental Agreement No. 10 dated as of December 27, 2019, to the Purchase Agreement No. 3075, dated October 3, 2006, as amended and supplemented, between the registrant and The Boeing Company.</u>
4.111	<u>Sale and Purchase Contract dated as of January 18, 2013, between the registrant (formerly known as AviancaTaca Holding S.A.) and Avions de Transport Regional G.I.E. as amended and restated, relating to ATR 72-600 Aircraft.</u>
4.121	<u>Trent 700 General Terms Agreement, dated June 15, 2007, among Rolls Royce PLC, Rolls Royce Total Care Services Limited and Aerovías del Continente Americano S.A. Avianca.</u>
4.12.11	<u>Amendment No. 1 to General Terms Agreement, dated February 28, 2008.</u>
4.12.21	<u>Amendment No. 2 to General Terms Agreement, dated February 28, 2009.</u>
4.12.31	<u>Amendment No. 3 to General Terms Agreement, dated September 1, 2009.</u>
4.12.41	<u>Amendment No. 4 to General Terms Agreement, dated March 18, 2011.</u>
4.131	<u>General Terms Agreement 700 DEG 7308, dated June 1, 2012, between Rolls-Royce PLC, Rolls-Royce Total Care Services Limited and Aerovías del Continente Americano S.A. Avianca and Tampa Cargo S.A.</u>
4.13.13	<u>Amendment No. 1 to General Terms Agreement, dated May 17, 2013.</u>
4.13.23	<u>Amendment No. 2 to General Terms Agreement, dated October 23, 2014.</u>
4.13.33	<u>Amendment No. 3 to General Terms Agreement, dated December 30, 2014.</u>
4.141	<u>General Terms Agreement No. CFM-03-2007, dated as of March 29, 2007, between CFM International, Inc. and Aerovías del Continente Americano S.A. Avianca.</u>
4.14.11	<u>Amendment No. 1 to General Terms Agreement.</u>
4.151	<u>General Terms Agreement No. GE-1-1090789943, dated as of December 18, 2007, between General Electric Corporation, GE Engine Services and Atlantic Aircraft Holding, Ltd.</u>
4.161	<u>OnPoint Solutions Rate per Engine Flight Hour Engine Services Agreement, dated as of January 18, 2008, between GE Engine Services, Inc. and Aerovías del Continente Americano S.A. Avianca.</u>
4.171	<u>Rate Per Flight Hour Agreement for CFM56-5B Engine Shop Maintenance Services, dated as of February 6, 2013, between CFM International, Inc. and the registrant (formerly known as AviancaTaca Holding S.A.).</u>
4.17.13	<u>Amendment No. 1 to Rate Per Flight Hour Agreement dated 2014.</u>
4.181	<u>General Terms Agreement No. CFM-1-2887169891, dated as of February 6, 2013, between CFM International, Inc. and the registrant (formerly known as AviancaTaca Holding S.A.)</u>
4.191	<u>Rate Per Flight Hour Agreement for LEAP 1-A Engine Shop Maintenance Services, dated as of February 6, 2013, between CFM International, Inc. and the registrant (formerly known as AviancaTaca Holding S.A.).</u>
4.201	<u>Amended and Restated V2500® General Terms of Sale, dated as of December 18, 2008, between IAE International Aero Engines AG and Atlantic Aircraft Holdings Limited.</u>
4.20.11	<u>Amendment No. 1 to Amended and Restated V2500® General Terms of Sale, dated December 17, 2010.</u>
4.20.21	<u>Second Amended and Restated Side Letter, dated as of December 17, 2010.</u>
4.211	<u>Amended and Restated V2500-A5 Fleet Hour Agreement, dated as of December 18, 2008, between IAE International Aero Engines AG and Atlantic Aircraft Holdings Limited.</u>
4.222	<u>Trent 1000 General Terms Agreement, dated June 15, 2007, among Rolls Royce PLC, Rolls Royce Total Care Services Limited and Aerovías del Continente Americano S.A. Avianca.</u>
4.22.12	<u>Side Letter Number One dated June 15, 2007, to the Trent 1000 General Terms Agreement, dated June 15, 2007, among Rolls Royce PLC, Rolls Royce Total Care Services Limited and Aerovías del Continente Americano S.A. Avianca.</u>

	<u>Item</u>
4.233	<u>Assignment, Assumption and Amendment Agreement dated as of December 31, 2014, entered into among Aerovías del Continente Americano S.A. Avianca, the registrant, Avianca Leasing, LLC and Airbus S.A.S. in respect of A320 Family Aircraft and A320 NEO Family under the A320 Family and A320 NEO Family Purchase Agreement dated December 27, 2011 (the First Avianca Leasing Assignment).</u>
4.244	<u>A320 NEO Family Purchase Agreement, dated as of April 30, 2015, between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings S.A. and Airbus S.A.S. relating to Airbus A320 NEO Family.</u>
4.24.14	<u>Letter Agreement No. 2.1, dated as of December 29, 2015, to the A320 NEO Family Purchase Agreement dated as of April 30, 2015, between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.24	<u>Letter Agreement No. 3.1, dated as of September 30, 2015, to the A320 NEO Family Purchase Agreement dated as of April 30, 2015, between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.35	<u>Letter Agreement 1.1, dated as of April 28, 2016 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.45	<u>Letter Agreement 1.2 dated as of March 15, 2019 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.55	<u>Letter Agreement 2.2, dated as of April 28, 2016 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.65	<u>Letter Agreement 3.2, dated as of April 28, 2016 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.75	<u>Letter Agreement 4.1, dated as of April 28, 2016 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.85	<u>Letter Agreement 7.1, dated as of April 28, 2016 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.95	<u>Letter Agreement 2.3, dated as of August 22, 2016 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.105	<u>Letter Agreement 3.3, dated as of August 22, 2016 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.115	<u>Letter Agreement 2.4, dated as of December 17, 2016 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.126	<u>Letter Agreement 2.5, dated as of March 31, 2017 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.136	<u>Letter Agreement 2.6, dated as of July 13, 2017 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>
4.24.146	<u>Letter Agreement 2.7, dated as of November 03, 2017 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovías del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.</u>

<u>Exhibit Number</u>	<u>Item</u>
4.24.15 ⁸	Letter Agreement 2.8 dated as of March 15, 2019 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovias del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.
4.24.17 ⁹	Letter Agreement 2.9 dated as of January 6, 2020 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovias del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.
4.24.18 ⁹	Side Letter No. 1 to the Letter Agreement 2.9 dated as of January 6, 2020 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovias del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.
4.24.19 ⁹	Letter Agreement 1.3 dated as of January 6, 2020 to the A320 NEO Family Purchase Agreement dated as of April 30, 2015 between Aerovias del Continente Americano S.A. Avianca, Grupo Taca Holdings Limited and Airbus S.A.S.
4.266	Liquid Aviation Fuel Supply Agreement (Regional) dated August 30, 2017 between Organización Terpel S.A. and Aerovias Del Continente Americano S.A. Avianca, Tampa Cargo S.A.S., Taca Internacional Airlines S.A. Sucursal Colombia, Trans American Airlines S.A. Sucursal Colombia, Lineas Aereas Costarricenses S.A. Sucursal Colombia and Aerolineas Galapagos S.A. Sucursal Colombia.
8.19	Subsidiaries of the Registrant.
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certifications of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certifications of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101. INS ⁹	XBRL Instance Document.
101. SCH ⁹	XBRL Taxonomy Extension Schema Document.
101. CAL ⁹	XBRL Taxonomy Extension Calculation Linkbase Document.
101. LAB ⁹	XBRL Taxonomy Extension Label Linkbase Document.
101. PRE ⁹	XBRL Taxonomy Extension Presentation Linkbase Document.
101. DEF ⁹	XBRL Taxonomy Extension Definition Document.

(1) Filed as an exhibit to our registration statement, as amended, on Form F-1 (File No. 333-191258), filed on September 19, 2013, as amended on September 23, 2013, October 2, 2013, October 8, 2013, October 11, 2013, October 21, 2013, October 30, 2013 and November 4, 2013.

(2) Filed as an exhibit to our Form 20-F for the year ended December 31, 2013 filed with the SEC on April 30, 2014.

(3) Filed as an exhibit to our Form 20-F for the year ended December 31, 2014 filed with the SEC on April 30, 2015.

(4) Filed as an exhibit to our Form 20-F for the year ended December 31, 2015 filed with the SEC on April 29, 2016.

(5) Filed as an exhibit to our Form 20-F for the year ended December 31, 2016 filed with the SEC on May 1, 2017.

(6) Filed as an exhibit to our Form 20-F for the year ended December 31, 2017 filed with the SEC on May 1, 2018.

- (7) Filed as an exhibit to our Form 6-K furnished to the SEC on November 30, 2018.
- (8) Filed as an exhibit to our Form 20-F for the year ended December 31, 2018 filed with the SEC on April 29, 2019.
- (9) Filed as an exhibit to our Form 20-F for the year ended December 31, 2019 filed with the SEC on June 10, 2020.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this Amendment on its behalf.

Avianca Holdings S.A.

By: */s/ Richard Galindo*

Name: Richard Galindo

Title: General Secretary

Dated: November 30, 2020

**AVIANCA HOLDINGS S.A.
AND SUBSIDIARIES
(Republic of Panama)**

Consolidated Financial Statements

As of December 31, 2019, and 2018 and
for each of the years ended December 31, 2019, 2018 and 2017

F-1

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

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KPMG S.A.S.
Calle 90 No. 19C – 74
Bogota D.C. – Colombia

Teléfono 57(1)6188000
57(1)6188100
Fax 57(1)6233316
57(1)6233380
www.kpmg.com.co

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Avianca Holdings S.A.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Avianca Holdings S.A. and Subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated June 10, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 38 to the consolidated financial statements, subsequent to year-end the Company did not make payments on its long-term leases or principal payments on certain loan obligations and is not in compliance with loan covenants or lease contracts. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 38. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 4 to the consolidated financial statements, the Company has changed its leases accounting policy, effective for the period beginning on January 1, 2019, due to the adoption of IFRS 16 Leases.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or

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fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2018.

/s/ KPMG S.A.S.
Bogotá, Colombia
June 10, 2020



KPMG S.A.S.
Calle 90 No. 19C – 74
Bogota D.C. – Colombia

Teléfono 57(1)6188000
57(1)6188100
Fax 57(1)6233316
57(1)6233380
www.kpmg.com.co

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Avianca Holdings S.A.:

Opinion on Internal Control Over Financial Reporting

We have audited Avianca Holdings S.A. and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of financial position of the Company as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated June 10, 2020, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions

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are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG S.A.S.
Bogotá, Colombia
June 10, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Avianca Holdings S.A. and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of comprehensive income, shareholders' equity and cash flows for the year ended December 31, 2017 of Avianca Holdings S.A. and subsidiaries (the Company), and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated results of the Company's operations and its cash flows for the year ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audits provide a reasonable basis for our opinion.



/s/ Ernst & Young Audit S.A.S.

We have served as the Company's auditor since 2011 through 2017.

Bogota, Colombia

April 30, 2018

Ernst & Young Audit S.A.S.
Bogotá D.C.
Carrera 11 No. 98-07
Edificio Pijao Green Office
Tercer Piso
Tel: +57 (1) 484 7000
Fax: +57 (1) 484 7474

Ernst & Young Audit S.A.S.
Medellín – Antioquia
Carrera 43 A # 3 Sur - 130
Edificio Milla de Oro
Torre 1 – Piso 14
Tel: +57 (4) 369 8400
Fax: +57 (4) 369 8484

Ernst & Young Audit S.A.S.
Cali – Valle del Cauca
Avenida 4 Norte No. 6N – 61
Edificio Siglo XXI
Oficina 502 | 510
Tel: +57 (2) 485 6280
Fax: +57 (2) 661 8007

Ernst & Young Audit S.A.S.
Barranquilla - Atlántico
Calle 77b No 59 - 61
Edificio Centro Empresarial Las Américas II
Oficina 311
Tel: +57 (5) 385 2201
Fax: +57 (5) 369 0580

A member firm of Ernst & Young Global Limited

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Consolidated Statement of Financial Position

(In USD thousands)

	Notes	December 31, 2019	December 31, 2018
Assets			
Current assets:			
Cash and cash equivalents	7	\$ 342,472	\$ 273,108
Restricted cash	7	1	4,843
Short term investments	12	55,440	59,847
Trade and other receivables, net of expected credit losses	8	233,722	288,157
Accounts receivables from related parties	9	3,348	6,290
Current tax assets	31	198,719	231,914
Expendable spare parts and supplies, net of provision for obsolescence	10	88,334	90,395
Prepayments	11	69,012	99,864
Deposits and other assets	12	39,175	29,926
		1,030,223	1,084,344
Assets held for sale	15	681,053	31,580
Total current assets		1,711,276	1,115,924
Non-current assets:			
Deposits and other assets	12	54,074	115,504
Trade and other receivables, net of expected credit losses	8	22,569	35,503
Non-current taxes assets	31	1	19
Intangible assets and goodwill, net	14	505,507	513,803
Deferred tax assets	31	27,166	24,573
Property and equipment, net	4,13	4,953,317	5,313,317
Total non-current assets		5,562,634	6,002,719
Total assets		\$ 7,273,910	\$ 7,118,643

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Consolidated Statement of Financial Position

(In USD thousands)

	Notes	December 31, 2019	December 31, 2018
Liabilities and equity			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	16	\$ 872,044	\$ 626,742
Accounts payable	17	530,615	664,272
Accounts payable to related parties	9	3,713	2,827
Accrued expenses	18	87,610	108,712
Current tax liabilities	31	26,421	26,702
Provisions for legal claims	32	20,244	7,809
Provisions for return conditions	19	21,963	2,475
Employee benefits	20	148,678	125,147
Air traffic liability	21	337,363	424,579
Frequent flyer deferred revenue	21	187,931	186,378
Other liabilities	22	5,110	3,861
		2,241,692	2,179,504
Liabilities associated with the assets held for sale	15	490,458	—
Total current liabilities		2,732,150	2,179,504
Non-current liabilities:			
Long-term debt	16	3,984,279	3,380,838
Accounts payable	17	11,931	7,127
Provisions for return conditions	19	122,425	127,685
Employee benefits	20	118,337	110,085
Deferred tax liabilities	31	18,471	18,437
Frequent flyer deferred revenue	21	229,701	234,260
Other liabilities	22	51,449	68,246
Total non-current liabilities		4,536,593	3,946,678
Total liabilities		<u>\$ 7,268,743</u>	<u>\$ 6,126,182</u>
Equity:			
Common stock		82,600	82,600
Preferred stock		42,023	42,023
Additional paid-in capital on common stock		234,567	234,567
Additional paid-in capital on preferred stock		469,273	469,273
Retained (losses) earnings		(543,010)	386,087
Other comprehensive income / (loss)		(78,120)	(44,096)
Equity attributable to owners of the Company		207,333	1,170,454
Non-controlling interest	24	(202,166)	(177,993)
Total equity		5,167	992,461
Total liabilities and equity		<u>\$ 7,273,910</u>	<u>\$ 7,118,643</u>

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Consolidated Statement of Comprehensive Income

(In USD thousands, except per share data)

	Notes	For the year ended December 31,		
		2019	2018	2017
Operating revenue:				
Passenger		\$ 3,904,765	\$ 4,074,391	\$ 3,550,160
Cargo and other		716,731	816,439	891,524
Total operating revenue	5, 26	4,621,496	4,890,830	4,441,684
Operating expenses:				
Flight operations		75,713	153,615	92,471
Aircraft fuel		1,204,058	1,213,411	923,468
Ground operations		478,029	474,802	450,209
Rentals	4, 33	11,762	267,708	278,772
Passenger services		176,454	188,713	166,869
Maintenance and repairs		257,642	206,454	280,536
Air traffic		278,987	269,631	242,587
Selling expenses		500,160	530,930	515,073
Salaries, wages and benefits		717,342	760,758	706,778
Fees and other expenses		411,573	203,304	177,864
Depreciation and amortization	4, 13, 14	593,396	350,507	313,413
Impairment	13	470,661	38,881	—
Total operating expenses		5,175,777	4,658,714	4,148,040
Operating (loss) profit		(554,281)	232,116	293,644
Interest expense		(299,942)	(212,294)	(183,332)
Interest income		9,041	10,115	13,548
Derivative instruments		(2,164)	(260)	(2,536)
Foreign exchange, net	6.C	(24,190)	(9,220)	(20,163)
Equity method profit		1,524	899	980
(Loss) profit before income tax		(870,012)	21,356	102,141
Income tax expense – current	31	(26,475)	(27,151)	(35,159)
Income tax income – deferred	31	2,492	6,938	15,050
Total income tax expense		(23,983)	(20,213)	(20,109)
Net (loss) profit for the year		\$ (893,995)	\$ 1,143	\$ 82,032
Basic loss per share. Expressed in dollars	25			
Common stock		\$ (0.92)	\$ (0.03)	\$ 0.05
Preferred stock		\$ (0.92)	\$ (0.03)	\$ 0.05

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Consolidated Statement of Comprehensive Income

(In USD thousands, except per share data)

Notes	For the year ended December 31,		
	2019	2018	2017
Net (loss) income for the year	\$ (893,995)	\$ 1,143	\$ 82,032
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss in future periods:	23		
Revaluation (devaluation) of administrative property	2,761	(20,448)	31,017
Remeasurements of defined benefit liability	(42,541)	(9,039)	(33,385)
Income tax	441	(39)	(15,018)
	<u>(39,339)</u>	<u>(29,526)</u>	<u>(17,386)</u>
Items that will be reclassified to profit or loss in future periods:	23		
Effective portion of changes in fair value of hedging instruments	3,932	(13,701)	6,385
Net change in fair value of financial assets with changes in OCI	1,205	(328)	19
Income Tax	—	—	3,558
	<u>5,137</u>	<u>(14,029)</u>	<u>9,962</u>
Other comprehensive loss, net of income tax	<u>(34,202)</u>	<u>(43,555)</u>	<u>(7,424)</u>
Total comprehensive (loss) profit net of income tax	<u>\$ (928,197)</u>	<u>\$ (42,412)</u>	<u>\$ 74,608</u>
(Loss) profit attributable to:			
Equity holders of the parent	\$ (913,712)	\$ (24,803)	\$ 48,237
Non-controlling interest	19,717	25,946	33,795
Net (loss) profit	<u>\$ (893,995)</u>	<u>\$ 1,143</u>	<u>\$ 82,032</u>
Total comprehensive (loss) income attributable to:			
Equity holders of the parent	\$ (947,736)	\$ (68,097)	\$ 40,358
Non-controlling interest	19,539	25,685	34,250
Total comprehensive (loss) income	<u>\$ (928,197)</u>	<u>\$ (42,412)</u>	<u>\$ 74,608</u>

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Consolidated Statement of Changes in Equity

(In USD thousands)

	Notes	Additional paid-in capital				Other comprehensive income		Retained (losses) earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
		Common Stock	Preferred Stock	Common Stock	Preferred Stock	OCI Reserves	Revaluation				
Balance at January 1, 2017		\$82,600	\$ 42,023	\$234,567	\$469,273	\$ (20,457)	\$ 27,365	\$ 565,138	\$ 1,400,509	\$ 19,752	\$1,420,261
Net profit		—	—	—	—	—	—	48,523	48,523	33,509	82,032
Increase in non-controlling interest		—	—	—	—	—	—	—	—	504	504
Other comprehensive income (loss)		—	—	—	—	(38,727)	31,017	—	(7,710)	286	(7,424)
Dividends decreed		—	—	—	—	—	—	(25,672)	(25,672)	(130,001)	(155,673)
Balance at December 31, 2017		\$82,600	\$ 42,023	\$234,567	\$469,273	\$ (59,184)	\$ 58,382	\$ 587,989	\$ 1,415,650	\$ (75,950)	\$1,339,700
Adjustment on initial application of new standards		—	—	—	—	—	—	(141,591)	(141,591)	(57,958)	(199,549)
Balance adjusted at January 1, 2018		\$82,600	\$ 42,023	\$234,567	\$469,273	\$ (59,184)	\$ 58,382	\$ 446,398	\$ 1,274,059	\$ (133,908)	\$1,140,151
Net profit (loss)		—	—	—	—	—	—	(24,803)	(24,803)	25,946	1,143
Other comprehensive income (loss)	23	—	—	—	—	(22,846)	(20,448)	—	(43,294)	(261)	(43,555)
Sale of subsidiaries	1	—	—	—	—	—	—	—	—	(7,674)	(7,674)
Dividends decreed	35	—	—	—	—	—	—	(35,508)	(35,508)	(62,096)	(97,604)
Balance at December 31, 2018		\$82,600	\$ 42,023	\$234,567	\$469,273	\$ (82,030)	\$ 37,934	\$ 386,087	\$ 1,170,454	\$ (177,993)	\$ 992,461
Net (loss) profit		—	—	—	—	—	—	(913,712)	(913,712)	19,717	(893,995)
Other comprehensive income (loss)	23	—	—	—	—	(36,785)	2,761	—	(34,024)	(178)	(34,202)
Sale of subsidiaries	1	—	—	—	—	—	—	—	—	(7,712)	(7,712)
Dividends decreed	35	—	—	—	—	—	—	(15,385)	(15,385)	(36,000)	(51,385)
Balance at December 31, 2019		\$82,600	\$ 42,023	\$234,567	\$469,273	\$ (118,815)	\$ 40,695	\$ (543,010)	\$ 207,333	\$ (202,166)	\$ 5,167

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Consolidated Statement of Cash Flows

(In USD thousands)

	Notes	For the year ended December 31,		
		2019	2018	2017
Cash flows from operating activities:				
Net (loss) profit for the year		\$ (893,995)	\$ 1,143	\$ 82,032
Adjustments for:				
Provision net of expected credit losses	8	50,703	4,526	4,363
Provision for expandable spare parts and suppliers obsolescence	10	2,075	(3,203)	(5,376)
Provision (recovery) for return conditions, net	19	16,114	(27,092)	811
Provisions (recovery) for legal claims, net	32	14,671	(2,973)	14,490
Depreciation and amortization	13,14	593,396	350,507	313,413
Impairment of property and equipment	13, 15	470,661	38,881	—
Sale and leaseback transactions amortization		(5,399)	(4,747)	—
Share-based payment (income)		—	—	(1,002)
Loss (gains) on disposal of assets		21,562	(16,081)	(1,978)
Loss (gains) on sale of subsidiary	1	5,487	(10,579)	—
Fair value adjustment of financial instruments		2,164	260	3,549
Interest income		(9,041)	(10,115)	(14,528)
Interest expense		299,942	212,294	183,332
Deferred tax	31	(2,492)	(6,938)	(15,050)
Current tax	31	26,475	27,151	35,159
Unrealized foreign currency loss (gain)		5,363	(32,569)	20,163
Changes in:				
Accounts receivable		(10,565)	(103,998)	(42,244)
Expendable spare parts and supplies		(3,150)	10,056	(9,272)
Prepayments		30,404	(115)	(49,396)
Net current tax		51,973	13,497	(49,930)
Deposits and other assets		43,655	95,247	38,611
Accounts payable and accrued expenses		(123,171)	249,901	50,884
Air traffic liability		(86,731)	(36,569)	2,608
Frequent flyer deferred revenue		(3,001)	37,719	21,883
Provision for return conditions		(1,886)	(5,814)	(11,458)
Employee benefits		(1,345)	(29,740)	(4,649)
Income tax paid		(45,534)	(47,547)	(39,098)
Net cash provided by operating activities		\$ 448,335	\$ 703,102	\$ 527,317
Cash flows from investing activities:				
Acquisition of investments available for sale		—	—	85
Restricted cash		4,558	378	(505)
Interest received		9,619	9,871	12,492

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Consolidated Statement of Cash Flows

(In USD thousands)

	Notes	For the year ended December 31,		
		2019	2018	2017
Advance payments on aircraft purchase contracts	13	(21,324)	(111,711)	(119,049)
Sale of advance on aircraft purchase contracts	13	30,312	—	—
Acquisition of property and equipment	13	(246,591)	(430,610)	(215,305)
Proceeds from sale of property and equipment		233,035	132,369	161,910
Investment in certificates of bank deposits		—	4,640	—
Redemption in certificates of bank deposits		11,866	—	(15,540)
Acquisition of intangible assets	14	(29,129)	(116,635)	(30,619)
Proceeds from acquisition of subsidiary		—	—	6
Sale of subsidiaries	1	(875)	18,000	—
Acquisition of investments		—	(78)	—
Sale of investments		—	—	484
Net cash used in investing activities		\$ (8,529)	\$ (493,776)	\$ (206,041)
Cash flows from financing activities:				
Proceeds from loans and borrowings	16	616,555	303,640	510,360
Transaction costs related to bonds	16	(18,807)	—	—
Repayments of loans and borrowings	16	(637,740)	(483,473)	(388,096)
Interest paid	16	(275,054)	(208,709)	(162,144)
Sale & finance leaseback transactions		—	53,990	—
Dividends paid	35	(14,057)	(35,508)	(25,671)
Dividends paid to minority shareholding	35	(36,000)	(56,096)	(130,002)
Net cash used in financing activities		\$ (365,103)	\$ (426,156)	\$ (195,553)
Net increase (decrease) in cash and cash equivalents		74,703	(216,830)	125,723
Effect of movements in exchange rates on cash held		(5,339)	(17,280)	7,506
Cash on deconsolidation of subsidiary	1	—	(1,764)	—
Cash and cash equivalents at beginning of year		273,108	508,982	375,753
Cash and cash equivalents at end of year		\$ 342,472	\$ 273,108	\$ 508,982

See accompanying notes to consolidated financial statements

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Notes to Consolidated Financial Statements

(In USD thousands)

(1) Reporting entity

Avianca Holdings S.A. (the “Company” or “Avianca Holdings S.A.”), a Panamanian corporation whose registered address is at Calle Aquilino de la Guardia No. 8 IGRA Building, Panama City, Republic of Panama, was incorporated on October 5, 2009 under the name SK Holdings Limited in and under the laws of the Commonwealth of the Bahamas. Subsequently, the Company changed its corporate name as follows on March 10, 2010 to AviancaTaca Limited, on January 28, 2011 to AviancaTaca Holding, S.A and on March 3, 2011 changed its registered offices to Panama. In 2011 AviancaTaca listed its shares in the Bolsa de Valores de Colombia (“BVC”) and was listed as PFAVTA: CB. On March 21, 2013 the Company changed its legal name from AviancaTaca Holding S.A. to Avianca Holdings S.A. and its listing name to PFAVH: CB. On November 6, 2013, the Company listed its shares on the New York Stock Exchange (NYSE) and is listed as AVH.

Synergy Aerospace Corp currently has the majority of the Company’s shareholding through BRW Aviation LLC, which is the Group’s direct controller. Since May 24, 2019, Kingsland Holdings Limited, through its ownership of ordinary shares of Avianca Holdings and authority to vote the ordinary shares of Avianca Holdings S.A. owned by BRW Aviation LLC, has effective control of Avianca.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

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

Name of Subsidiary	Country of Incorporation	Ownership Interest%	
		2019	2018
Avianca Ecuador S.A.	Ecuador	99.62%	99.62%
Aerovias del Continente Americano S.A. (Avianca)	Colombia	99.98%	99.98%
Avianca, Inc.	EE.UU.	100%	100%
Avianca Leasing, LLC	EE.UU.	100%	100%
Grupo Taca Holdings Limited	Bahamas	100%	100%
Latin Airways Corp.	Panama	100%	100%
LifeMiles Ltd.	Bermuda	70%	70%
Avianca Costa Rica S.A.	Costa Rica	92.42%	92.42%
Taca International Airlines, S.A.	El Salvador	96.83%	96.83%
Tampa Cargo Logistics, Inc.	EE.UU.	100%	100%
Tampa Cargo S.A.S.	Colombia	100%	100%
Technical and Training Services, S.A. de C.V.	El Salvador	99%	99%
Avianca Peru S.A.	Perú	100%	100%
Regional Express Américas S.A.S.	Colombia	100%	100%
Vu-Marsat S.A.	Costa Rica	100%	100%

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Notes to Consolidated Financial Statements**(In USD thousands)**

The Company through its subsidiaries is a provider of domestic and international, passenger and cargo air transportation, both in the domestic markets of Colombia, Ecuador, Costa Rica, Nicaragua and Peru and international routes serving North, Central and South America, Europe, and the Caribbean. The Company has entered into a number of bilateral code share alliances with other airlines (whereby selected seats on one carrier's flights can be marketed under the brand name and commercial code of the other), expanding travel choices to customers worldwide. Marketing alliances typically include joint frequent flyer program participation; coordination of reservations, ticketing, passenger check in and baggage handling; transfer of passenger and baggage at any point of connectivity, among others. The code-share agreements currently in place with other airlines include Air Canada, Aeromexico, United Airlines, Copa Airlines, Silver Airways, Iberia, Lufthansa, All Nippon Airways, Singapore Airlines, Eva Airways, Air China, Etihad Airways, Turkish Airlines, Air India, Azul Linhas Aéreas Brasileiras and GOL Linhas Aéreas Inteligentes, Avianca, Taca International (as well as Taca affiliates) and Avianca Ecuador are members of Star Alliance, which give customers access to destinations and services offered by Star Alliance network. Star Alliance members include several of the world's most recognized airlines, including Lufthansa, United Airlines, Thai Airways, Air Canada, TAP, Singapore Airlines, among others, as well as smaller regional airlines. All of them are committed to meeting the highest standards in terms of security and customer service.

Cargo operations are carried out by our subsidiaries and affiliates, including Tampa Cargo S.A.S. with headquarters in Colombia and Aerotransporte de Carga Union S.A. de C.V. The Group also undertakes cargo operations through the use of hold space on passenger flights and dedicated freight aircraft. In certain of the airport hubs, the Group performs ground operations for third-party airlines. Additionally, an important part of the cargo business is carried by the companies that operate passenger air transportation.

The Company owns and operates a coalition loyalty program called LifeMiles (the "Program"), which is also the frequent flyer Program for the airline subsidiaries of AVH. LifeMiles sells loyalty currency ("Miles") to its commercial partners and Program members, including to AVH airlines and other airline partners from the Star Alliance network, and collects incentive, fees from partners and members of the Program for certain transactions. These partners in turn use Miles to reward their customers, increasing loyalty for their brands. For instance, partner airlines reward passengers with Miles whenever they fly, financial partners reward cardholders with Miles when they spend with their credit cards, and retail partners reward customers with Miles when they purchase merchandise or other goods and services. Miles earned can be exchanged for flights with Avianca, airline members of Star Alliance and other air partners, as well as for other commercial partners' products and services such as hotel nights, car rentals and retail merchandise, among other rewards.

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Notes to Consolidated Financial Statements

(In USD thousands)

Sale of subsidiaries

For the year ended December 31, 2019 and 2018 the Group signed two sales detailed as following:

Turboprop Leasing Company and Aerotaxis La Costeña S.A.

On April 22, 2019, the Group thorough its subsidiaries Grupo Taca Holdings Limited (“GTH”) and Nicaragüense de Aviación S.A. (“NICA”) sold all of GTH’s shares in Turboprop Leasing Company Ltd. (“Turbo”), and all of NICA’s shares in Aerotaxis La Costeña S.A. (“La Costeña”), respectively, to Regional Airline Holding LLC (the “Buyer”).

As a result of the transaction, the Group lost control and ceased to consolidate the financial statements of Turboprop Leasing Company Ltd. and Aerotaxis La Costeña S.A. on May 31, 2019.

The following is the summary of the movements in the financial statements due to the sale and the corresponding loss of control of Turbo Leasing Company Ltd. and Aerotaxis La Costeña S.A.

	Turboprop Leasing Company Ltd.	Aerotaxis La Costeña S.A.	Total deconsolidation
Amount of cash in the company	\$ 8,876	\$ 2,889	\$ 11,765
Carrying amount of the company assets, without cash	28,632	6,928	35,560
Carrying amount of the company liabilities	(19,507)	(3,729)	(23,236)
Net assets of the subsidiary	18,001	6,088	24,089
Non-controlling interest	(5,769)	(1,943)	(7,712)
GTH / Nicaragüense de Aviación participation	\$ 12,232	\$ 4,145	\$ 16,377
Consideration received in cash	6,425	4,465	10,890
(Loss)/gain on the sale of the subsidiaries	\$ (5,807)	\$ 320	\$ (5,487)

The aggregate amount of the cash paid for losing control of subsidiaries is reported in the statement of cash flows net of cash and cash equivalents disposed of as part of such transaction, for a net payment of \$875.

The loss of this sale is included in Fees and other expenses in the income statement.

Getcom Int'l Investments SL

On December 28, 2018, Avianca Holdings entered into an agreement for the sale and transfer of its participation and control in Getcom Int'l Investments S.L., a company incorporated in Spain, to Seger Investments, Corp, a company domiciled in Panama, who already owned 50% equity interest in Getcom Int'l Investments S.L. Pursuant to the terms of such agreement, the Company and the Purchaser also effected the sale in this date.

As a result of the transaction, the Group lost control and ceased to consolidate Getcom Int'l Investments S.L.’s financial statements on December 31, 2018.

The following is the summary of the movements in the financial statements due to the sale and corresponding loss of control of Getcom Int'l Investments S.L.

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Notes to Consolidated Financial Statements

(In USD thousands)

Amount of cash in Getcom Int'l Investments S.L.	\$ 1,764
Carrying amount of the Getcom Int'l Investments S.L. assets, without cash	20,561
Carrying amount of the Getcom Int'l Investments S.L. liabilities	(6,980)
Net Assets of the subsidiary	\$15,345
Non-controlling interest	(7,674)
AVH participation	7,671
Received consideration:	
Portion of the consideration consisting of cash	18,000
Portion of the consideration consisting of account receivables	250
Fair Value of the received consideration	\$18,250
Gains on the sale of the subsidiary	\$10,579

As of December 31, 2019, and 2018, Avianca Holdings S.A. had a total fleet consisting of:

Aircraft	December 31, 2019			December 31, 2018		
	Owned/ Financial Lease	Operating Lease (1)	Total	Owned/ Financial Lease	Operating Lease	Total
Airbus A-318	—	—	—	10	—	10
Airbus A-319 (2)	23	4	27	23	4	27
Airbus A-320	31	26	57	35	26	61
Airbus A-320 NEO	3	7	10	3	4	7
Airbus A-321	7	6	13	7	6	13
Airbus A-321 NEO	—	2	2	—	2	2
Airbus A-330	3	7	10	3	7	10
Airbus A-330F	6	—	6	6	—	6
Airbus A-300F (2)	5	—	5	5	—	5
Boeing 787-8	8	5	13	8	5	13
Boeing 787-9	—	1	1	—	—	—
ATR-42	—	—	—	2	—	2
ATR-72	15	—	15	15	—	15
Boeing 767F	2	—	2	2	—	2
Cessna Grand Caravan	—	—	—	13	—	13
Embraer E-190 (2)	10	—	10	10	—	10
	113	58	171	142	54	196

(1) As of January 1, 2019, as a result of the adoption of IFRS 16, the operating leases contracts are recorded in the consolidated statement of financial position as part property and equipment, as well as the recognition of the related financial liability that represents the present value of the minimum payments of the lease contract. (see note 4).

Notes to Consolidated Financial Statements

(In USD thousands)

(2) As of December 31, 2019, the Group has as assets held for sale 10 Embraer E-190, 2 Airbus A319, 12 Airbus A320, 4 Airbus A321, 2 Airbus A330 and 1 Airbus A330F.

(2) Basis of preparation of the consolidated financial statements

Applied Professional Accounting Standards

(a) Statement of compliance

The consolidated financial statements for the years ended December 31, 2019 and 2018 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements of the group for the year ended December 31, 2019 were prepared and submitted by Management and authorized for issuing by Audit Committee on June 8, 2020 that have been delegated by the Board of Directors.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for, land and buildings (classified as administrative property), assets held for sale, derivative financial instruments and plan assets, which have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in cash flow for changes in fair value that would otherwise be carried at amortized cost are adjusted to recognize changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

(c) Functional and presentation currency

The Group’s consolidated financial statements are presented in US Dollars, which is also the parent company’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Notes to Consolidated Financial Statements**(In USD thousands)**

The following are critical judgments used in applying accounting policies that may have the most significant effect on the amounts recognized in the consolidated financial statements:

- The Group operates certain aircraft under a financing structure which involves the creation of structured entities that acquire aircraft with bank and third-party financing. This relates to 100 aircraft from the A319, A320, A321, A330, A330F, ATR72, E190 and B787 families. The Group has determined, based on the terms and conditions of the arrangements, that the Company controls these special purpose entities ("SPE") and therefore, SPEs are consolidated by the Group and these aircraft are shown in the consolidated statement of financial position as part of Property and Equipment with the corresponding debt shown as a liability.

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

- The Group recognizes revenue from tickets that are expected to expire without having been used based on historical data and experience. To define the expected expiration, with the support of an independent third-party specialist, the administration must make informed estimates of the historical experience, which is an indication of the future behavior of the clients, analyzed by type of rate. As indicated by the accumulated data, the administration evaluates the historical data once a year or more frequently according to experience and makes the necessary adjustments.
- The Group believes that the tax positions taken are reasonable. However, tax authorities by audits proceedings may challenge the positions taken resulting in additional liabilities for taxes and interest that may become payable in future years. Tax positions involve careful judgment on the part of management and are reviewed and adjusted to account for changes in circumstances, such as lapse of applicable statutes of limitations, conclusions of tax audits, additional exposures derived from new legal issues or court decisions on a particular tax. The Group establishes provisions, based on their estimation on feasibility of a negative decision derived from an audit proceeding by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Actual results could differ from estimates.
- Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized and the tax rates used, based upon the likely timing and the level of future taxable profits together with future tax planning strategies, and the enacted tax rates in the jurisdictions in which the entity operates.
- The Group measures administrative land and buildings primarily in Bogota, Medellin, San Jose, and San Salvador at revalued amounts with changes in fair value being recognized in other comprehensive income. The Group engaged independent valuation specialists to assist

Notes to Consolidated Financial Statements

(In USD thousands)

management in determine the fair value of these assets as of December 31, 2019. The valuation techniques used by these specialists require estimates about market conditions at the time of the report.

- The Group estimates useful lives and residual values of property and equipment, including fleet assets based on network plans and recoverable value. Useful lives and residual values are revaluated annually considering the latest fleet plans and business plan information. In the note 13 provides more information about the net book value of the property and equipment and their respective depreciation charges.
- The Group evaluates the carrying value of long-lived assets subject to amortization or depreciation whenever events or changes in circumstances indicate that an impairment may exist. For purposes of this testing, the Company has generally identified the aircraft fleet type as the lowest level of identifiable cash flows. An impairment charge is recognized when the asset's carrying value exceeds its net undiscounted future cash flows and its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value.

Goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired.

- The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For determines the discount rate of the pension plans in Colombia, the management takes as a reference the rate of the bonds issued by the Colombian Government

The mortality rate is based on publicly available mortality tables in Colombia. Future salary increases and pension increases are based on expected future inflation rates in Colombia.

- The Group estimated the breakage of miles, supported by a third valuation specialist to assist management in this process. The Group considers the behavior of the members based on a segmentation into statistically homogeneous groups of members to be able to project future behaviors, and therefore is considered to be more robust in predicting redemption rates by segment and breakage estimates of the Program.
- The Group estimated a provision for expected credit losses based on informed and reasonable information about past events, present conditions and reasonable and justifiable forecasts regarding future economic conditions, considering credit risk, classification and late payment.

Notes to Consolidated Financial Statements

(In USD thousands)

- The Group recognizes a provision in the balance sheet when a third-party account has a legal or implicit obligation as a result of a past event, and it is probable that an exit of liquidity benefits to the obligation is required. In relation to provisions for litigation, the main source of uncertainty is the time of the outcome of the process.
- Aircraft lease contracts establish certain conditions in which aircraft shall be returned to the lessor at the end of the contracts. To comply with return conditions, the Group incurs costs such as the payment to the lessor of a rate in accordance with the use of components through the term of the lease contract, payment of maintenance deposits to the lessor, or overhaul costs of components. In certain contracts, if the asset is returned in a better maintenance condition than the condition at which the asset was originally delivered, the Group is entitled to receive compensation from the lessor. The Group accrues a provision to comply with return conditions at the time the asset does not meet the return condition criteria based on the conditions of each lease contract. The recognition of return conditions require management to make estimates of the costs with third parties of return conditions and use inputs such as hours or cycles flown of major components, estimated hours or cycles at redelivery of major components, projected overhaul costs and overhaul dates of major components. At redelivery of aircraft, any difference between the provision recorded and actual costs is recognized in the result of the period.

(e) Reclassifications

Reclassification have been made to the prior year consolidated financial statements to conform to the current period presentation:

- “Accounts payable” in the amount of \$68,302 in the consolidated statements financial position and “Accrued expenses” in the amount of \$12,182 were reclassified into “Employee benefits” at December 31, 2018 to reflect the short term obligation directly related to the employees in the corresponding item, these include salaries, vacations, bonuses and other contributions.
- “Short term investments” in the amount of \$59,847 were presented separately in the consolidated statement financial position to disclose the rights related to funds invested between 3 months and 1 year separately. Previously, these balances were part of “deposits and other assets”.
- The above reclassifications have no effect on the consolidated statement of cash flow.

Based on an analysis of quantitative and qualitative factors, the Group determined that the related impacts are not material for the consolidated financial statements presented previously, and therefore, amendments to the previously submitted reports are not required.

AVIANCA HOLDINGS S.A. AND SUBSIDIARIES

(Republic of Panama)

Notes to Consolidated Financial Statements**(In USD thousands)****(f) Going Concern**

The consolidated financial statements have been prepared on a going concern basis.

The Group has recognized a net loss after tax of \$893,995 for the year ended December 31, 2019 and, as at that date, the consolidated statement of financial position reflected an excess of current liabilities over current assets of \$495,580 (excluding air traffic liability and frequent flyer deferred revenue). However, the net loss includes \$599,124 as described in note 37, of significant special charges incurred during 2019, associated with the organizational transformation plan, called “Avianca 2021”.

Since the fourth last quarter 2018 through the third quarter of 2019, management disclosed that it had circumstances that raised substantial doubt about the Group’s ability to continue as a going concern, related to a potential change control that was possible at that time. On November 29, 2018, the controlling shareholder of the Group (BRW Aviation LLC) obtained a loan from United Airlines, Inc. (“United”), as lender, and Wilmington Trust, National Association, as administrative and collateral agent (“Wilmington”) and pledged its shares in Avianca Holdings S.A. as security for this loan agreement, which required the compliance with certain covenants by the controlling shareholder, including compliance with the Group financial ratios. On April 10, 2019, BRW and United informed Avianca Holdings that BRW was in default with the collateral coverage ratio covenant under the United Loan Agreement and that no waiver was granted. A change of control at the Group would breach covenants included in certain loan and financing, aircraft rental, and other agreements of the Company, which in turn could trigger early termination or cancellation of these contracts. On May 24, 2019, United initiated and filed an enforcement action against BRW and BRW Holding to enforce the share pledge and seeking to take control of the 78.1% of Avianca Holding’s common shares. Likewise, United appointed Kingsland Holdings Limited (“Kingsland”) as BRW’s manager and, as a result, BRW Holding lost the right to direct the manner in which BRW votes the shares subject to the pledge. Through its ownership of the Group’s common shares and its authority as manager of BRW (with the right to direct the voting of the pledged shares), Kingsland assumed voting control over Avianca Holdings. According to the assessment of the Group Kingsland Holdings is a permitted holder under its financing agreements. As such, no change in control has occurred since its appointment as independent third party.

The Group’s ability to meet these obligations depended on whether the management could renegotiate the terms and conditions with lenders and obtain new sources of financing to meet the short-term obligations.

Besides of the change control situation, during 2019 several events occurred which created significant uncertainty as to whether the Group had the capacity to continue as a going concern.

- At the end of April 2019, Avianca Holdings received reservation of rights letters from 2 Facility Agents in its Export Credit Agencies (ECA) financings. The mentioned reservation of rights letters

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was related to the acquisition of certain ATR turboprop aircraft by Synergy Aerospace, which were not operated by Avianca Holdings. In those letters, the Facility Agents stated that Synergy Aerospace had failed to comply with certain obligations under other transactions that were supported by the ECAs. The non-compliance of Synergy under its ECA obligations could have caused a potential default under Avianca Holdings' ECA contracts.

- In line with the above mentioned, events Avianca Holdings was unable to launch a liability management transaction to refinance its \$550 million 8.375% Senior Notes due 2020. On May 13th 2019, S&P Global Ratings downgraded Avianca Holdings S.A. from "B" to "CCC+", while reducing its rating outlook from Stable to Negative given the higher refinancing risk. The above referenced default of Synergy and ratings downgrade had prevented us from consummating certain anticipated transactions that we expected would have resulted in a significant improvement in our liquidity. Additionally, the foregoing events severely impacted our efforts to refinance near-term maturities of existing debt and our ability to finance capital expenditures.
- On June 25, we unilaterally suspended the payment of operating leases of some aircraft, as well as debt repayment payments, as we seek to obtain deferrals from creditors with a debt of approximately \$2,876 million, of which \$2,365 million represent long-term debt term, under various debt, lease and other agreements.

In an effort to protect current liquidity levels, our board of directors adopted a transformation plan, which we refer to as the "Avianca 2021" strategic plan, designed to improve operational efficiencies, and reprofile our financial obligations. As part of the "Avianca 2021" strategic plan we adopted following measures:

Re-profiling of financial commitments:

- Avianca Holdings has executed amendments to its financing agreements, in order to include United and its subsidiaries, the collateral agent and the independent third party, each pursuant to the United Loan Agreement, as permitted holders under such financing agreements in order that enforcement actions, such as the voting of the shares of Avianca Holdings by United, such collateral agent or such independent third party, would not constitute a change of control under any such financing agreements. These amendments permitted and would permit United to enforce the share pledge in connection with the United Loan Agreement and take ownership of the common shares of Avianca Holdings without causing a change of control under any of these financing agreements of Avianca Holdings.
- In addition to the negotiations for the suspended payments mentioned above, and considering the new situation of the Group, it was possible to renegotiate mainly the clauses of financial and non-financial Covenants. (See notes 16 and 36)
- Avianca Holdings successfully reached broad agreement with its creditors allowing it to comply with key conditions precedent for funding of the Convertible Loans by United and Kingsland. As

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consequence, on December 9, 2019, Avianca Holdings drew the \$250 million convertible senior secured stakeholder loan provided by United Airlines and Kingsland Holdings limited. In turn, the funding of the Convertible Loans allowed Avianca's agreements with its creditors to go effective, reprofiling substantially all of its loans and aircraft lease obligations. In addition, funding of the Convertible Loans triggered the automatic exchange of approximately \$484 million aggregate principal amount of Avianca's current May 2020 bonds (the "Secured May 2020 Bonds") for secured bonds due May 2023 (the "Secured May 2023 Bonds"), under the terms of a previously announced, successfully executed exchange offer for Avianca's original May 2020 Bonds (the "Unsecured May 2020 Bonds"). Further, Avianca Holdings also secured \$125 million in additional secured financing commitments. These financing commitments include: (i) \$50 million in commitments for convertible loans, on substantially the same economic terms as the Stakeholder Loan, from a group of Latin American investors, and (ii) \$75 million in commitments for senior secured convertible loans and bonds, as a bridge to completion of a potential US\$125 million convertible bond offering to preferred shareholders (the "Incremental Bonds"), including a commitment of US\$50 million from an investment vehicle managed by Citadel Advisors LLC, for senior secured convertible bonds (the "Citadel Bonds") and (iii) a commitment of US\$25 million for senior secured convertible loans from another group of Latin American investors (the "LatAm Bridge Loan"), on substantially the same economic terms as the Stakeholder Loan, except that any voluntary prepayment by the Group on or before the 9-month anniversary of disbursement of the LatAm Bridge Loan will trigger a cash interest payment at 12% per annum over the amount prepaid.

- It represented as of December 31, 2019, the Group has reached rectification of a breach of a long-term loan arrangement, that permitted classified \$2,365 million as current portion.
- During the second quarter 2020 Avianca Holdings expects to offer its preferred shareholders the opportunity to participate in a minimum of USD \$125 million of to-be-offered convertible bonds (the "Incremental Bonds") under similar conditions to those established for the Convertible Loans, subject to adjustment for market conditions at the time such an offering is launched. Details and timing of such offering will be made available to AVH preferred shareholders, subject to applicable regulatory review and approvals.
- Standard & Poor's Global Ratings ("S&P") has upgraded the Group from "SD" to "B-", Outlook Stable, and upgraded its secured bonds to "B-" from "CCC-". The full report issued by S&P is available on the Group's website.

Fleet simplification

- We are moving forward with deceleration of fleet additions and its simplification. The management has reached the following agreements to tailor its aircraft commitments to its future requirements:

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- In January 2020, we reached agreements with Airbus to optimize our fleet plan as part of our implementation of the Avianca 2021 Plan, the Group negotiated with Airbus the cancellation of some orders and a significant reduction of its scheduled aircraft deliveries in 2020, 2021, 2022, 2023 and 2024 for delivery in 2025 through 2029, which modifies the advanced payments and aircraft acquisition
- These agreements provide comprehensive financial benefits, with significant Capex reduction in the period through the end of 2029 of \$1,035 million. In addition, we allowed deferring the PDP's payments until 2024 for \$2,087 million, thereby improving the Group's cash in the consolidation period of the "Avianca 2021" plan. (See note 34)
- In order to reduce and standardize our fleet management took the decision to sell 10 Embraer 190, 10 Airbus A318, 2 Airbus A319, 11 Airbus A320, 2 Airbus A330 and 1 Airbus A330F and also exit of 13 Cessna 208 and 2 ATR 42 for the sale of Sansa and La Costeña. Separately, Avianca Holdings has agreed to enter into an agreement sale and lease back transaction for up to 11 A320 and 4 A321 aircraft with Avalon Aerospace Leasing Limited, that are executed in the first quarter 2020. These operations represent net cash provided of \$296 million and an impairment for \$469 million. (See note 37)

With these reductions of our fleet, the management seeks a reorganization of its offer to be more consistent with demand. It will have also significantly simplified our operation, in maintenance costs, as well as crew training.

Optimization of Operational Profitability

- Network adjustment is one of the main actions implemented during the year. The changes were made to service those with higher demand and better performance. Therefore, 25 routes were cancelled and frequencies were reduced. The adjustments took place mainly in the Central American, North American and Peruvian markets. Likewise, the Holding announced added capacity on some routes, increasing the number of flights between Bogotá and Cali, Medellin, Bucaramanga, Santiago de Chile, Orlando—US, and Barcelona—Spain, seeking to allocate resources in more profitable routes.
- Our board of directors also modified our strategy to focus on Bogotá as our primary strategic hub, as well as to focus on our overall profitability and cost-efficiency, deleveraging our balance sheet and revising our aircraft fleet plans.

Considering the Group's projections regarding forecasted results of the strategic plan, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As such, the consolidated financial statements have been prepared on a going concern basis.

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On March 2020 deriving from the spread of COVID-19 (See Note 38), as a result of extremely challenging market conditions, suspension of our passenger travel operations, our current financial condition and the resulting risks and uncertainties surrounding our Chapter 11 proceedings (See Note 38), there is substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon, among other things, our ability to (i) resume our passenger travel operations profitably, which depends on many factors beyond our control, principally relating to developments from the spread of COVID-19, its impact on demand for passenger air travel and government measures regarding travel restrictions, quarantine requirements and others, and (ii) successfully develop and implement our Chapter 11 plan of reorganization.

(3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all the Company's entities of the Group, except where mentioned otherwise (see also note 4).

This is the first set of the Group's annual financial statements in which IFRS 16 Leases have applied. changes to significant accounting policies are described in note 4.

(a) Basis of consolidation

Subsidiaries are entities controlled by Avianca Holdings S.A. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, in accordance with IFRS 10. Control is established after assessing the Group's ability to direct the relevant activities of the investee, its exposure and rights to variable returns, and its ability to use its power to affect the amount of the investee's returns. The accounting policies of subsidiaries have been aligned when necessary with the policies adopted by the Group.

The consolidated financial statements also include 49 special purpose entities that relate primarily to the Group's aircraft leasing activities. These special purpose entities are created in order to facilitate financing of aircraft with each SPE holding a single aircraft or asset. In addition, the consolidated financial statements include 56 entities that are mainly investment vehicles, personnel employers and service providers within the consolidated entities. The Group has consolidated these entities in accordance with IFRS 10.

When the sale of a subsidiary occurs and no percentage of participation is retained on it, the Group derecognizes the assets and liabilities of the subsidiary, the non-controlling interests and the other components of equity related to the subsidiary on the date on which it was sold. Any gain or loss resulting from the loss of control is recognized in the consolidated statement of comprehensive income.

If the Group retains a percentage of participation in the subsidiary sold, and does not represent control, this is recognized at its fair value on the date when control is lost, the amounts previously recognized in other comprehensive income are accounted for as if the Group had directly disposed of the related assets and liabilities, which may cause these amounts to be reclassified to profit or loss. The retained percentage valued at its fair value is subsequently accounted for using the equity method.

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Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency*Foreign currency transactions*

These consolidated financial statements are presented in US dollars, which is the Group's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are recognized currently as an element of profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign operations

Assets and liabilities of foreign operations included in the consolidated statement of financial position are translated using the closing exchange rate on the date of the consolidated statement of financial position. The revenues and expenses of each income statement account are translated at quarterly average rates; and all the resultant exchange differences are shown as a separate component in other comprehensive income.

(d) Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 "Business Combinations". The consideration for an acquisition is measured at acquisition date fair value of consideration transferred including the amount of any non-controlling interests in the acquire. Acquisition costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it measures at fair value the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred to the seller, including the amount recognized for non-controlling interest over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets acquired, the difference is recognized as profit at the date of acquisition.

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After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the acquisition, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

(e) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes income when transferring control over the good or service to the customer. Below is information on the nature and timing of the satisfaction of performance obligations in contracts with customers.

(i) Passenger and cargo transportation

The Group recognizes revenues from passenger, cargo and other operating income in consolidated statements of comprehensive income. Revenues from passenger, which includes transportation, baggage fees, fares, and other associated ancillary income, is recognized when transportation is provided. Cargo revenues are recognized when the shipments are delivered. Other operating income is recognized as the related performance obligations are met.

The tickets and other revenues related to transportation that have not yet been provided are initially deferred and recorded as "Air traffic liability" in the consolidated statement of financial position, deferring the revenue recognition until the trip occurs. For trips that have more than one flight segment, the Group considers each segment as a separate performance obligation and recognizes the revenues of each segment as the trip takes place. Tickets sold by other airlines where the Group provides transportation are recognized as passenger income at the estimated value that will be billed to the other airline when the trip is provided.

Reimbursable tickets usually expire after one year from the date of issuance. Non-refundable tickets generally expire on the date of the intended trip, unless the date is extended by customer notification on or before the scheduled travel date. Rates for unused tickets that are expected to expire are recognized as revenue, based on historical data and experience, supported by a third valuation specialist to assist management in this process. The Group periodically evaluates this liability and any significant adjustment is recorded in the consolidated statements of comprehensive income. These adjustments are mainly due to differences between actual events and circumstances such as historical sales rates and customer travel patterns that may result in refunds, changes or expiration of tickets that differ substantially from the estimates. The Group evaluates its estimates and adjusts deferred revenue for unearned transportation and revenue for passenger transport when necessary.

The various taxes and fees calculated on the sale of tickets to customers are collected as an agent and sent to the tax authorities. The Group records a liability when taxes are collected and deregisters it when the government entity is paid.

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(ii) Loyalty program

The Group has a frequent flyer program “LifeMiles”, that is managed by LifeMiles Ltd, a subsidiary of the Group which airlines buy lots of miles to be granted to member costumers of the program. The purpose of the program is designed to retain and increase travelers’ loyalty by offering incentives to travelers for their continued patronage. Under the LifeMiles program, miles are earned by flying on the Group’s airlines or its alliance partners and by using the services of program partners for such things as credit card use, hotel stays, car rentals, and other activities. Miles are also directly sold through different distribution channels. Miles earned can be exchanged for flights or other products or services from alliance partners.

The liabilities for the accumulated miles are recognized under “Frequent Flyer Deferred Revenue” (See note 21) until the miles are redeemed.

The Group recognizes the revenue for the redemption of miles at the time of the exchange of miles. They are calculated based on the number of miles redeemed in a given period multiplied by the cumulative weighted average yield (CWAY), which leads to the decrease of “Frequent Flyer Deferred Revenue”.

Breakage estimates are reviewed every semester. If a change in the estimate is presented, the adjustments will be accounted for prospectively through the income, with an adjustment of “update” to the corresponding deferred income balances.

(f) *Income tax*

Income tax expense comprises current and deferred taxes and is accounted for in accordance with IAS 12 “Income Taxes”. They are recognized in results except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

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

(ii) Deferred income tax

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

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

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- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax laws enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(g) Property and equipment**(i) Recognition and measurement**

Flight equipment, property and other equipment are measured at cost less accumulated depreciation and accumulated impairment losses in accordance with IAS 16 “Property, Plant and Equipment”.

Property, operating equipment, and improvements that are being built or developed for future use by the Group are recorded at cost as under-construction assets. When under-construction assets are ready for use, the accumulated cost is reclassified to the respective property and equipment category.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gain and losses on disposal of an item of flight equipment, property and equipment are determined by comparing the proceeds from disposal with the carrying amount.

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(ii) Subsequent costs

The costs incurred for major maintenance of an aircraft's fuselage and engines are capitalized and depreciated over the shorter period to the next scheduled maintenance or return of the asset. The depreciation rate is determined according to the asset's expected useful life based on projected cycles and flight hours. Routine maintenance expenses of aircraft and engines are charged to income as incurred.

(iii) Depreciation

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

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

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

Estimated useful lives are as follows:

	Estimated useful life (years)
Flight equipment:	
Aircraft	10 – 30
Aircraft components and engines	Useful life of fleet associated with component or engines
Aircraft major overhaul repairs	4 – 12
Rotable parts	Useful life of fleet associated
Leasehold improvements	Lesser of remaining lease term and estimated useful life of the leasehold improvement
Administrative Property	20 – 50
Vehicles	2 – 10
Machinery and equipment	2 – 15

Residual values, amortization methods and useful lives of the assets are reviewed and adjusted, if appropriate, at each reporting date.

The carrying value of flight equipment, property and other equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and the carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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The Group receives credits from manufacturers on acquisition of certain aircraft and engines that may be used for the payment of maintenance services, training, acquisition of spare parts and others. These credits are recorded as a reduction of the cost of acquisition of the related aircraft and engines and against other accounts receivable. These amounts are then charged to expense or recorded as an asset, when the credits are used to purchase additional goods or services. These credits are recorded within other liabilities in the consolidated statement of financial position when awarded by manufacturers.

(iv) **Revaluation and other reserves**

Administrative property in Bogota, Medellín, El Salvador, and San Jose is recorded at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation reserve is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the other comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(h) ***Assets held for sale***

Non-current assets and groups of assets for disposal that are classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Non-current assets and groups of assets for disposal are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction, rather than through continued use. This condition is considered fulfilled only when the sale is highly probable and the asset or group of assets for disposal are available, in their current conditions, for immediate sale. The administration must be committed to the sale, and it must be expected that the sale complies with the necessary requirements for its recognition as such, within the year following the date of classification.

Property and equipment and intangible assets, once classified as held for sale, are not subject to depreciation or amortization and both the assets and any liabilities directly associated with the assets held for sale are reclassified to current and disclosed in a separate line of the consolidated financial statement.

(i) ***Leased assets***

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

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Policy applicable from 1 January 2019

The group has initially applied IFRS 16 from January 1, 2019. The effect of initially applying IFRS 16 described in note 4.

(i) Assets by right of use

The Group recognizes the assets for right of use on the start date of the lease (that is, the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any new measurement of lease liabilities. The cost of the assets with the right to use includes the amount of the recognized lease liabilities, the initial direct costs incurred, and the lease payments made on or before the start date, less the lease incentives received. The assets recognized by right of use are depreciated in a straight line during the shortest period of their estimated useful life and the term of the lease. The assets by right of use are subject to deterioration.

(ii) Lease liabilities

On the start date of the lease, the Group recognizes the lease liabilities measured at the present value of the lease payments that will be made during the term of the lease. Lease payments include fixed payments and variable lease payments that depend on an index or a rate.

Lease payments also include the price of a purchase option that the Group can reasonably exercise and penalty payments for terminating a lease.

Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

Policy applicable before January 1, 2019

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases in accordance with IAS 17 "Leases". Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in interest expense in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the lease term.

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Operating lease payments are recognized as an operating expense in the consolidated statement of comprehensive income during the lease term.

Gains or losses related to sale–leaseback transactions classified as an operating lease after the sale are accounted for as follows:

- (i) They are immediately recognized as other (expense) income when it is clear that the transaction is established at fair value;
- (ii) If the sale price is below fair value, any profit or loss is immediately recognized as other (expense) income, however, if the loss is compensated by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the contractual lease term;
- (iii) In the event of the sale price is higher than the fair value of the asset, the value exceeding the fair value is deferred and amortized during the period when the asset is expected to be used. The amortization of the gain is recorded as a reduction in lease expenses.

If the sale–leaseback transactions result in financial lease, any excess proceeds over the carrying amount shall be deferred and amortized over the lease term as another income.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets in accordance with IAS 23 “Borrowing Costs”. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(k) Intangible assets

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

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

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income within depreciation and amortization.

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Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level, without exceeding a business segment. Impairment measurement is currently carried out at the level of the air transport segment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains and losses arising from the de-recognition of an intangible asset 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, from the date of acquisition, to each company acquired and impairment measurement is carried out at the air segment level.

The Group's intangible assets include the following:

(i) Software and webpages

Acquired computer software licenses are capitalized on the basis of cost incurred to acquire, implement and bring the software into use. Costs associated with maintaining computer software programs are expensed as incurred. In case of development or improvement to systems that will generate probable future economic benefits, the Group capitalizes software development costs, including directly attributable expenditures on materials, labor, and other direct costs.

Acquired software cost is amortized on a straight-line basis over its useful life.

Licenses and software rights acquired by the Group have finite useful lives and are amortized on a straight-line basis over the term of the contract. Amortization expense is recognized in the consolidated statement of comprehensive income.

(ii) Routes and trademarks

Routes and trademarks are carried at cost, less any accumulated amortization and impairment. The useful life of intangible assets associated with routes and trademark rights are based on management's assumptions of estimated future economic benefits. The intangible assets are amortized over their useful lives of between two and thirteen years. Certain routes and trademarks have indefinite useful lives and therefore are not amortized

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but tested for impairment at least at the end of each reporting period. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group expects to provide an indefinite service on the routes it has determined with an indefinite useful life and expects the support infrastructure to be maintained at those airports during the entire time that the routes exist. The analysis of demand and cash flows supports these assumptions because the facts and circumstances support the ability of the entity to continue providing air service indefinitely.

(iii) Intangible assets associated with contractual rights and obligations

The useful life of intangible assets associated with contract rights and obligations is based on the term of the contract and are carried at cost, less accumulated amortization and related impairment.

(iv) Other intangible rights

Contains projects related to technological developments to generate efficiencies in the operation. Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

(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

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- At fair value through profit or loss.

The classification of financial assets in the initial recognition depends on the characteristics of the contractual cash flow of the financial asset and the Group's business model for its administration. With the exception of commercial accounts receivable that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, (in the case of a financial asset that does not obtain profit or loss), transaction costs. Commercial accounts receivable that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be classified and measured at amortized cost or at fair value through OCI, it must give rise to cash flows that are "only capital and interest payments (OCI)" over the outstanding principal amount. This evaluation is known as the SPPI test and is performed at the instrument level.

The Group's business model for the management of financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, the sale of financial assets or both. Purchases or sales of financial assets that require the delivery of assets within a time frame established by regulation or convention in the market (regular operations), are recognized on the trading date, that is, the date on which the Group Commit to buy or sell the asset.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with effect on accumulated gains and losses (debt instruments)
- Financial assets designated at fair value through OCI without effect on accumulated gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

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

- The financial asset is maintained within a business model with the objective of maintaining financial assets in order to collect the contractual cash flows.
- The contractual terms of the financial asset give rise on specific dates to the cash flows that are only payments of the principal and interest on the principal amount pending payment.

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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 OCI (debt instruments)

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

- The financial asset is maintained within a commercial model with the objective of maintaining both to collect contractual cash flows and sell.
- The contractual terms of the financial asset give rise on specific dates to the cash flows that are only payments of the principal and interest on the principal amount pending payment.

For debt instruments at fair value through OCI, interest income, exchange revaluation and impairment losses or reversals are recognized in the other comprehensive income and are calculated in the same manner as for financial assets measured at amortized cost. The remaining changes in fair value are recognized in OCI. After derecognition, the change in accumulated fair value recognized in OCI is recognized in profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

After initial recognition, the Group may elect to irrevocably classify its capital investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments. The classification is determined instrument by instrument.

Gains and losses on these financial assets are never recognized as gains or losses. Dividends are recognized as other income in the income statement when the right to payment has been established, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such earnings are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment evaluation.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Derivatives, including embedded implicit derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not only capital and interest payments are classified and

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measured at fair value through profit or loss, regardless of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments can be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are recorded in the statement of financial position, at fair value with net changes, recognized in the statement of comprehensive income.

This category includes derivatives and listed equity investments that the Group had not irrevocably chosen to be classified at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of comprehensive income when the right to payment has been established.

(ii) Impairment of financial assets

The Group recognizes a reserve for expected credit losses (ECL) for all debt instruments that are not held at fair value through profit or loss. The ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade accounts receivable and contractual assets, the Group applies a simplified approach when calculating ECL. Therefore, the Group does not track changes in credit risk, but recognizes a loss adjustment based on ECL for life at each reporting date. The Group has established a provision matrix that is based on its historical experience of credit losses, adjusted by specific prospective factors for debtors and the economic environment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized primarily when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the cash flows received in full without significant delay to a third party under a “transfer” agreement, and (a) the 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.

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The continuous participation that takes the form of a guarantee on the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group may have to repay.

(iii) **Financial liabilities**

Financial liabilities are classified, on initial recognition, as financial liabilities at fair value through profit or loss, loans and debt, accounts payable, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value and, in the case of loans and debt and accounts payable, net of directly attributable transaction costs.

The Group's financial liabilities include trade accounts payable and other accounts payable, loans and debt, including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the short term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in the hedging relationships defined by IFRS 9. Separate embedded derivatives are also classified as held for trading unless they are designated as equity instruments. effective coverage.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

The financial liabilities designated in the initial recognition at fair value through profit or loss are designated at the initial recognition date, and only if the criteria of IFRS 9 are met. The Group has not designated any financial liability at fair value with changes in results.

Loans carried at amortized cost

This is the most relevant category for the Group. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest method (EIM). Profits and losses are recognized in results when liabilities are derecognized in accounts, as well as through the EIM amortization process.

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The amortized cost is calculated taking into account any discount or premium on the acquisition and the fees or costs that are an integral part of the EIM. The amortization of the EIM is included as financial costs in the income statement.

This category generally applies to loans and debt that accrue interest.

Derecognition financial instruments

Financial liability is derecognized when the obligation under the liability is canceled or expires. When an existing financial liability is replaced by another of the same lender in substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as the derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

(iv) Compensation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is recorded in the consolidated statements of financial position, if and only if, you have the legal right to offset the amounts recognized and there is an intention to cancel them on a net basis, or, to realize the assets and cancel the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of the financial instruments that are traded in the active markets on each reporting date is based on the prices quoted on the market (on the prices of purchase and sale prices on the stock exchange), not including deductions for transaction costs.

In the case of financial instruments that are not traded in active markets, fair value is determined using valuation techniques. Such techniques may include recent purchase and sale transactions at arm's length prices, reference to the fair value of other basically identical financial instruments, an analysis of the discounted cash flow, or recourse to other valuation models.

Note 30 includes an analysis of the fair values of financial instruments and more details on how they are valued.

(vi) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, interest rate contracts and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivatives are carried at fair value as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Future contracts from commodities that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

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Any gains or losses arising from changes in the fair value of derivatives are taken directly into the consolidated statement of comprehensive income, except for the effective portion of derivatives assigned as cash flow hedges, which is recognized in other comprehensive income.

Cash flow hedges

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the equity, while any ineffective portion of cash flow hedge related to operating and financing activities is recognized immediately in the consolidated statement of comprehensive income.

Amounts recognized as other comprehensive income are transferred to the consolidated statement of comprehensive income when the hedged transaction affects earnings, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Group uses forward currency contracts and cross currency swaps as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. Refer to note 28 for more details.

Current versus non-current classification of derivatives instruments

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

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Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through other comprehensive income.

(m) Expendable spare parts and supplies

Expendable spare parts relating to flight equipment are measured at the lower of average cost and net realizable value. Net realizable value is the estimated base stock cost reduced by the allowance for obsolescence. The valuation method used by the Group is weighted average.

(n) Impairment of non-financial assets

We review flight equipment and other long-lived assets used in operations for impairment losses when events and circumstances indicate the assets may be impaired. Factors which could be indicators of impairment include, but are not limited to, (1) a decision to permanently remove flight equipment or other long lived assets from operations, (2) significant changes in the estimated useful life, (3) significant changes in projected cash flows, (4) permanent and significant declines in fleet fair values and (5) changes to the regulatory environment. For long-lived assets held for sale, we discontinue depreciation and record impairment losses when the carrying amount of these assets is greater than the fair value less the cost to sell.

For purposes of this testing, the Group has generally identified the aircraft fleet type as the lowest level of identifiable cash flows. An impairment charge is recognized when the asset's carrying value exceeds the greater value of its net undiscounted future cash flows or its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value.

Goodwill and indefinite-lived intangible assets are not amortized but are reviewed for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired. Goodwill and indefinite-lived assets are reviewed for impairment on an annual basis or on an interim basis whenever a triggering event occurs.

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Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with original maturity of three months or less, which are subject to an insignificant risk of change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, if any.

(p) Maintenance deposits

Maintenance deposits correspond to deposits paid to lessors based on cycles, flight hours, or fixed monthly amounts, depending on the specific nature of each provision. Rates used for the calculation and monthly amounts are specified in each lease agreement. The maintenance deposits paid to aircraft lessors are recorded within "Deposits and other assets" when they are susceptible for recovery, to the extent that such amounts are expected to be used to fund future maintenance activities. Deposits that are not probable of being used to fund future maintenance activities are expensed as incurred.

The maintenance deposits refer to payments made by the Group to leasing companies to be used in future aircraft and engine maintenance work. Management performs regular reviews of the recovery of maintenance deposits and believes that the values reflected in the consolidated statement of financial position are recoverable. These deposits are used to pay for maintenance performed and might be reimbursed to the Group after the execution of a qualifying maintenance service or when the leases are completed, according to the contractual conditions. Certain lease agreements establish that the existing deposits, in excess of maintenance costs are not refundable. Such excess occurs when the amounts used in future maintenance services are lower than the amounts deposited. Any excess amounts expected to be retained by the lessor upon the lease contract termination date, which are not considered material, are recognized as additional aircraft lease expense. Payments related to maintenance that the Group does not expect to perform are recognized when paid as additional rental expense. Some of the aircraft lease agreements do not require maintenance deposits.

(q) Security deposits for aircraft and engines

The Group must pay security deposits for certain aircraft and engine lease agreements. Reimbursable aircraft deposits are stated at cost.

Deposits that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Such assets are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Deposits for guarantee and collateral are represented by amounts deposited with lessors, as required at the inception of the lease agreements. The deposits are typically denominated in U.S. Dollars, do not bear interest and are reimbursable to the Group upon termination of the agreements.

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A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

Provisions are set up for all legal claims related to lawsuits for which it is probable that an outflow of funds will be required to settle the legal claims obligation and a reasonable estimate can be made. The assessment of probability of loss includes assessing the available evidence, the hierarchy of laws, available case law, the most recent court decision and their relevance in the legal system, as well as the assessment of legal counsel.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial cost.

For certain operating leases, the Group is contractually obligated to return aircraft in a defined condition. The Group recognizes for restitution costs of the aircraft held under operating leases and accumulates them monthly during the term of the lease contract. Restitution costs are based on the net present value of the estimated average costs of returning the aircraft and are recognized in the consolidated statement of comprehensive income in “Maintenance and repairs.”

(s) Employee benefits

The Group sponsors defined benefit pension plans, which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post-employment benefits to senior employees in Colombia. These benefits are unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit cost method.

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

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on Colombian Government bonds), and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are held by CAXDAC, nor can they be paid directly to the Group. Fair value is based on market price information and in the case of quoted securities on the published bid price. The value of any defined benefit asset recognized is restricted and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Under IAS 19 (issued in June 2011 and amended in November 2013), the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. It takes into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability (asset) comprises:

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- Interest income on plan assets.
- Interest cost on the defined benefit obligation; and
- Interest on the effect of the asset ceiling

Additionally, the Group offers the following employee benefits:

(i) **Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognized as an expense in the consolidated statement of comprehensive income when they are due.

(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.

(i) ***Prepaid expenses***

(i) **Prepaid commissions**

Commissions paid for tickets sold are recorded as prepaid expenses and expensed when the tickets are used.

(ii) **Prepaid rent**

Prepaid rent for aircraft corresponds to prepaid contractual amounts that will be applied to future lease payments over a term of less than one year.

(u) ***Interest income and interest expense***

Interest income comprises interest income on funds invested (including available-for-sale financial assets), changes in the fair value of financial assets at fair value through the consolidated statement of comprehensive income and gains on interest rate hedging instruments that are recognized in the consolidated statement of comprehensive income. Interest income is recognized as accrued in the consolidated statement of comprehensive income, using the effective interest rate method.

Interest expense comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through the consolidated statement of comprehensive Income, and losses on interest rate hedging instruments that are recognized in the consolidated statement of comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the consolidated statement of comprehensive income using the effective interest method.

(4) New and amended standards and interpretations**4.1 Amendments to IFRSs that are mandatorily effective for the current year**

The Group has applied for the first time some standards and modifications to the standards, which were effective for the periods beginning on January 1, 2019. The Group has not applied any standard, interpretation or modification that has been issued but is not yet effective.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 which determines whether an Agreement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 that evaluates the substance of transactions that involve the legal form of a lease. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to consider most of the leases in a single model, recognized in the Statement of Financial Position.

The lessor's accounting under IFRS 16 remains substantially unchanged from IAS 17. Lessors will continue to classify leases as operating or financial leases using principles similar to those in IAS 17.

The Group has applied IFRS 16 using the modified retrospective approach, according to which the cumulative effect of the initial application is recorded in retained earnings as of January 1, 2019. In this case, the comparative information for 2018 has not been restated.

The Group also chose to use the recognition exemptions for lease agreements, which on the start date, have a term of 12 months or less and do not contain a purchase option (short-term leases), and leases for which the underlying asset is of low value (low value assets).

Nature of the effects of adoption of IFRS 16

In January 2016, the IASB issued IFRS 16, which establishes a comprehensive model for the identification of lease agreements and their treatment in the financial statements of both lessees and lessors.

IFRS 16, Leases, must be applied as of January 1, 2019. The new standard requires that lessees recognize an asset and liability for use right in the balance sheet for all contracts that qualify as leases (with the exception of short-term leases for which the underlying asset is of low value) start date of the lease and recognize expenses in the income statement.

The lease liability is measured at the present value of the outstanding lease payments. Lease payments will include fixed payments, variable payments based on an index or rate, reasonably secure purchase options, termination fines, fees paid by the lessee to the owners of a special purpose entity for the restructuring of the transaction, and probable. The amounts that the lease will owe

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under a residual value guarantee. The lease payment does not include the payment of a variable lease other than those that depend on an index or rate, no guarantee on the part of the lessee of the lessor's debt, or any amount assigned to the components without a lease.

The Group initially measures the value of the right-of-use assets by the value of the lease liability and includes the value of the payments made before the start of the lease, any initial direct costs incurred by the lessee.

The Group completed its assessment of the impacts of the adoption of IFRS 16 in its consolidated financial statements. The evaluation included the following activities:

Aircraft leases

As of January 1, 2019, the Group had 54 aircraft under operating leases, and the Group registered such aircraft as assets and liabilities of the Group's right of use with the requirement of the new standard.

The assets by right of use will be accounted for in accordance with IAS 16, Property, Plant and Equipment. Aircraft registered as a right of use will be depreciated over the term of the lease and any qualifying maintenance event will be capitalized and depreciated over the expected lease term and the expected maintenance life.

Real estate leases

The Group has leases related to the operations space of the airport terminal and other real estate. For leases related to the terminal's operations space, there are usually effective replacement rights in the hands of the lessor and, therefore, these are not considered the lease requirements according to the standard. Airport terminal contracts with variable lease payments are also excluded, and variable lease payments, other than those based on an index or rate, are related to the measurement of the lease liability. Leases of properties that were recorded as right-of-use assets and lease liabilities according to the new standard that relates to the Group's offices.

Other leases

Other leases related to vehicles, machinery, technology. They have been evaluated, discarding short-term contracts and low-value assets, and contracts associated with vehicles are mainly recognized as assets with right of use.

Sale and Leaseback transactions

Prior to the adoption of the New Lease Standard, the gains on sale and leaseback transactions of finance lease were deferred and recognized in the consolidated comprehensive income statement

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over the term of the lease. Profits from sale and leaseback transactions that result in an operating lease were recognized immediately in the consolidated comprehensive income statement without being deferred. Under the New Standard, gains on sale and leaseback transactions with retroactive lease (subject to adjustments for non-market terms) are recognized immediately if they comply with the requirements of IFRS 15.

At December, 31, 2018 the Group had a deferred gain for \$70,070 for previous sale and lease back transactions that subsequent lease was accounted for as a sale and a finance lease applying IAS 17, the group choose not evaluate the sale transactions with the subsequent lease made prior to determine whether the transfer of the asset meets the requirements of IFRS 15 shall be accounted for as a sale, because we chose account for the subsequent lease in the same way as to account for any other financial lease that exists on the date of initial application; and we will continue to amortize any gain on the sale over the term of the lease.

Impacts due to the adoption of the standard (January 1, 2019)

The effects of the adoption of the standard in the Group's consolidated statement of financial position was as follows:

	Reported December 31, 2018	Application of the new standard (1)(2)(3)(4)	Adjusted Balances
Total assets	7,118,643	1,079,733	8,198,376
Total liabilities	6,126,182	1,079,733	7,205,915
Total equity	992,461	—	992,461

- (1) The adjustment corresponds to \$1,010,200 recognized as assets and liabilities for the right to use aircraft leases, which are presented as Property and Equipment as flight equipment.
- (2) The adjustment corresponds to \$69,533 recognized as assets and liabilities for the right to use leases on non-aeronautical assets, which are presented into other property.
- (3) When measuring lease liabilities for leases that were classified as operating lease, the group discounted leases using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 5.09%.
- (4) The adjustment has no impact on deferred tax.

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*Amounts recognized in the consolidated statement of financial position and profit or loss***2019 – Leases under IFRS 16**

Set out below, are the amounts recognized consolidated statement of comprehensive income:

	For the year ended December 31, 2019
Depreciation expense of right-of-use assets	\$ 206,434
Interest expense on lease liabilities	51,885
Rent expense - short-term leases	1,008
Rent expense - leases of low-value assets	1,934
Rent expense - variable lease payments	8,770
Total amounts recognized in profit or loss	\$ 270,031

2018 – Leases under IAS 17

Set out below, are the amounts recognized consolidated statement of comprehensive income:

	For the year ended December 31, 2018
Rentals	\$ 308,722

Amounts recognized in the consolidated statement of cash flow

For the year ended December, 31, 2019 for the total cash outflow for leases was \$259,165

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets		
	Flight Equipment	Other	Total
As of December 31, 2018			
IFRS 16 Adoption	\$1,010,200	\$69,533	\$1,079,733
Additions	172,526	4,222	176,748
Modifications contracts	97,956	3,432	101,388
Depreciation expense	(198,219)	(8,215)	(206,434)
As of December 31, 2019	\$1,082,463	\$68,972	\$1,151,435

Summary of the new accounting policy

The following is a summary of the Group's new accounting policies after the adoption of IFRS 16:

Assets by right of use

The Group recognizes the assets for right of use on the start date of the lease (that is, the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any new measurement of lease liabilities. The cost of the assets with the right to use includes the amount of the recognized lease liabilities, the initial direct costs incurred, and the lease payments made on or before the start date, less the lease incentives received. The assets recognized by right of use are depreciated in a straight line during the shortest period of their estimated useful life and the term of the lease. The assets by right of use are subject to deterioration.

Lease liabilities

On the start date of the lease, the Group recognizes the lease liabilities measured at the present value of the lease payments that will be made during the term of the lease. Lease payments include fixed payments and variable lease payments that depend on an index or a rate.

Lease payments also include the price of a purchase option that the Group can reasonably exercise and penalty payments for terminating a lease.

Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

IFRIC 23- Uncertainty over Income Tax Treatments

The interpretation refers to income tax accounting in cases in which the tax treatment includes uncertainties that affect the application of IAS 12 and does not apply to taxes that are outside the scope of this standard, nor does it include specific requirements related to it. with interests and penalties associated with uncertain tax treatments. The interpretation establishes the following:

- Whether the Group considers uncertain tax treatments separately
- The assumptions made by the entity about the examination of tax treatments by the corresponding authorities.
- The manner in which the entity determines the fiscal profit (or fiscal loss), fiscal bases, unused fiscal losses or credits, and fiscal rates.
- The manner in which the entity considers changes in events and circumstances.

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The Group determined there aren't impacts in the application of this standard.

4.2 Standards issued but not yet effective

The Group has not applied the following new and revised IFRSs that are not yet effective:

IFRS 17	Insurance Contracts
IFRS 3	Business Combinations
IAS 1	Presentation of financial statements
IAS 8	Accounting policies, changes in accounting estimates and errors

Effective for annual periods beginning on or after January 1, 2020 and 2021, with earlier application permitted.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Notes to Consolidated Financial Statements**(In USD thousands)****Amendments to IFRS 3: Definition of a Business**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

(5) Segment information

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

- Air transportation: Corresponds to passenger and cargo operating revenues on scheduled flights and freight transport, respectively.
- Loyalty: Corresponds to the coalition loyalty program, the frequent flyer program for the airline subsidiaries of Avianca Holdings S.A.

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

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The Group's operational information by reportable segment for the year ended December 31, 2019 are as follows:

	<u>For the year ended December 31, 2019</u>			
	<u>Air transportation</u>	<u>Loyalty (1)</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenue: (2)				
External customers	\$ 4,284,901	\$ 336,595	\$ —	\$ 4,621,496
Inter-segment	<u>149,595</u>	<u>1,856</u>	<u>(151,451)</u>	<u>—</u>
Total operating revenue	\$ 4,434,496	\$ 338,451	\$ (151,451)	\$ 4,621,496
Operating expenses	4,067,372	196,116	(151,768)	4,111,720
Depreciation, amortization and impairment	1,061,766	11,991	(9,700)	1,064,057
Operating (loss) profit	(694,642)	130,344	10,017	(554,281)
Interest expense	(263,049)	(36,893)	—	(299,942)
Interest income	6,741	2,300	—	9,041
Derivative instruments	(1,892)	(272)	—	(2,164)
Foreign exchange	(24,117)	(73)	—	(24,190)
Equity method	1,524	—	—	1,524
Income tax expense	(24,042)	59	—	(23,983)
Net (loss) profit for the period	\$ (999,477)	\$ 95,465	\$ 10,017	\$ (893,995)
Total Assets	\$ 7,219,611	\$ 243,249	\$ (188,950)	\$ 7,273,910
Total Liabilities	\$ 6,522,422	\$ 880,483	\$ (134,162)	\$ 7,268,743

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The Group's operational information by reportable segment for the year ended December 31, 2018 are as follows:

	For the year ended December 31, 2018			
	Air transportation	Loyalty (1)	Eliminations	Consolidated
Operating revenue: (2)				
External customers	\$ 4,577,021	\$ 313,809	\$ —	\$ 4,890,830
Inter-segment	148,882	1,867	(150,749)	—
Total revenue	4,725,903	315,676	(150,749)	4,890,830
Operating expenses	4,226,414	193,269	(150,357)	4,269,326
Depreciation, amortization and impairment	388,960	12,976	(12,548)	389,388
Operating profit	110,529	109,431	12,156	232,116
Interest expense	(182,230)	(30,064)	—	(212,294)
Interest income	8,062	2,053	—	10,115
Derivative instruments	567	(827)	—	(260)
Foreign exchange	(9,238)	18	—	(9,220)
Equity method	899	—	—	899
Income tax expense	(20,258)	45	—	(20,213)
Net segment profit (loss) for the period	\$ (91,669)	\$ 80,656	\$ 12,156	\$ 1,143
Total Assets	\$ 7,098,272	\$ 248,937	\$ (228,566)	\$ 7,118,643
Total Liabilities	\$ 5,426,718	\$ 862,834	\$ (163,370)	\$ 6,126,182

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The Group's operational information by segment reportable for the year ended December 31, 2017 are as follows:

	<u>For the year ended December 31, 2017</u>			
	<u>Air transportation</u>	<u>Loyalty (1)</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenue: (2)				
External customers	\$ 4,167,658	\$ 274,026	\$ —	\$ 4,441,684
Inter-segment	112,037	4,366	(116,403)	—
Total revenue	4,279,695	278,392	(116,403)	4,441,684
Operating expenses	3,797,456	156,627	(119,456)	3,834,627
Depreciation and amortization	313,314	12,876	(12,777)	313,413
Operating profit	168,925	108,889	15,830	293,644
Interest expense	(174,657)	(8,675)	—	(183,332)
Interest income	11,998	1,550	—	13,548
Derivative instruments	(2,536)	—	—	(2,536)
Foreign exchange	(20,161)	(2)	—	(20,163)
Equity method	980	—	—	980
Income tax expense	(19,457)	(652)	—	(20,109)
Net segment profit (loss) for the period	\$ (34,908)	\$ 101,110	\$ 15,830	\$ 82,032
Total Assets	\$ 6,796,848	\$ 248,919	\$ (184,371)	\$ 6,861,396
Total Liabilities	\$ 5,082,763	\$ 545,951	\$ (107,018)	\$ 5,521,696

(1) Loyalty revenue for redeemed miles is found in the entry of passengers; and other loyalty income is recorded in other income.

(2) The results, assets and liabilities allocated to the loyalty segment reportable correspond to those attributable directly to the subsidiary LifeMiles Corp., and exclude assets, liabilities, income and expenses of the loyalty program recognized in the Avianca Holdings Subsidiaries.

For the year 2019 and 2018, the financial information is prepared under IFRS 15 "Revenue from contracts with customers" and for 2017 it is prepared under IFRIC 13 "Loyalty program with customers".

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

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The Group's revenues by geographic area for the years ended December 31, 2019, 2018 and 2017 are as follows:

	For the years ended December 31,		
	2019	2018	2017
United States of America	\$ 681,728	\$ 462,091	\$ 565,910
Central America and the Caribbean	289,543	248,896	539,682
Colombia	2,378,772	2,580,979	1,961,600
South America (excluding Colombia)	754,574	732,586	933,569
Other	516,879	866,278	440,923
Total operating revenue	\$4,621,496	\$4,890,830	\$4,441,684

The Group allocates revenues by geographic area based on the point of origin of the flight. Non-current assets are composed primarily of aircraft and aeronautical equipment, which are used throughout different countries and are therefore not assignable to any particular geographic area. Within the geographic areas presented there are no individually significant countries.

(6) Financial risk management

The Group has exposure to different risks from its use of financial instruments, namely, liquidity risk, fuel price risk, foreign currency risk, interest rate risk, credit risk and capital risk management.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established mechanisms for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

In line with Avianca Holdings S.A.'s initiatives directed towards enhancing profitability, achieving a leaner capital structure as well as reducing the current levels of debt; On January 6, 2020 the Group negotiated with Airbus the cancellation of 20 A320 Family aircraft and a significant reduction of its

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scheduled aircraft deliveries in 2020, 2021, 2022, 2023 and 2024. In addition to this, it structured that all the A321neo of the order would become A320neo to handle a single type of fleet in the Purchase Agreement with Airbus S.A.S. with deliveries scheduled between 2025 and 2029.

Furthermore, we also finance the acquisition of aircraft through sale-leaseback financings in which we sell an aircraft to a financial institution or leasing company immediately upon delivery from the manufacturer and lease the aircraft back under an operating agreement for a period of time, typically six to eight years.

As of December 31, 2019, and 2018, the Group had unsecured revolving lines of credit with different financial institutions in the aggregate amounts of \$258,206, and \$423,880, respectively. As of December 31, 2019, and 2018, there were \$20,925 and \$109,059, unused credit line balances, respectively, under these facilities. These revolving lines of credit are preapproved by the financial institutions and the Group may withdraw funds if it has working capital requirements.

As a result of the spread of COVID-19 and related government travel restrictions (see Note 38(b)), in March 2020, we began to take multiple measures to reduce our expenses and the scale of our operations. Nonetheless, our business remains capital intensive. In addition to the cash requirements necessary to fund our ongoing operations, we have incurred significant professional fees and other costs in connection with the effects of the COVID-19 pandemic on our business. Our liquidity, as well as our ability to meet our ongoing operational obligations, depend on, among other things, our ability to (i) maintain adequate cash on hand and (ii) generate cash flow from operations, which in turn depends largely on factors beyond our control relating to developments deriving from the spread of COVID-19.

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments. Amounts under the "Years" columns represent the contractual undiscounted cash flows of each liability.

As of December 31, 2019

	Carrying amount	Contractual cash flows	Years				
			One	Two	Three	Four	Five and thereafter
Short-term borrowings	\$ 118,137	\$ 123,734	\$ 123,734	\$ —	\$ —	\$ —	\$ —
Long-term Debt	3,008,412	3,640,008	554,021	540,615	853,756	612,874	1,078,742
Bonds	531,244	698,436	105,022	43,598	43,598	506,218	—
Use rights – IFRS 16	1,198,530	1,321,871	264,510	246,759	234,094	206,367	370,141
Debt – assets held for sale	490,458	490,458	490,458	—	—	—	—
Total debt	5,346,781	6,274,507	1,537,745	830,972	1,131,448	1,325,459	1,448,883
Accounts payable	542,546	542,546	530,615	11,931	—	—	—
Accrued Expenses	87,610	87,610	87,610	—	—	—	—
Contractual maturities	\$5,976,937	\$6,904,663	\$2,155,970	\$842,903	\$1,131,448	\$1,325,459	\$1,448,883

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As of December 31, 2018

	Carrying amount	Contractual cash flows	Years				
			One	Two	Three	Four	Five and thereafter
Short-term borrowings	\$ 119,866	\$ 121,194	\$ 121,194	\$ —	\$ —	\$ —	\$ —
Long-term Debt	3,300,422	3,992,304	627,272	595,696	645,103	690,558	1,433,675
Bonds	587,292	649,020	75,988	573,032	—	—	—
Total debt	4,007,580	4,762,518	824,454	1,168,728	645,103	690,558	1,433,675
Accounts payable	671,399	671,399	664,272	7.127	—	—	—
Accrued Expenses	108,712	108,712	108,712	—	—	—	—
Contractual maturities	<u>\$4,787,691</u>	<u>\$5,542,629</u>	<u>\$1,597,438</u>	<u>\$1,175,855</u>	<u>\$645,103</u>	<u>\$690,558</u>	<u>\$1,433,675</u>

(b) Fuel price risk

The Group maintains a commodity–price–risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity–price volatility. The operations of the Group require a significant volume of jet fuel purchases. Price fluctuations of oil, which are directly related with price fluctuations of jet fuel, cause market values of jet fuel to differ from its cost and cause the actual purchase price of jet fuel to differ from the anticipated price.

All such transactions are carried out within the guidelines set by the Risk Management Committee.

The Group enters into derivative financial instruments using heating oil and jet fuel to reduce the exposure to jet fuel price risks. Such financial instruments are deemed to be highly effective hedge because changes in their fair value are closely correlated with variations in jet fuel prices. The Group determines fair value of the contracts based on the notional future curves as observed in the market; gain or loss of hedge instruments are recognized directly in net equity, through other comprehensive income (OCI), based on Hedge Accounting procedures.

Sensitivity analysis

A change in 1% in jet fuel prices would have increased/decreased profit or loss for the years ended December 31, 2019, 2018 and 2017 by \$12,041, \$12,163 and \$9,235. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

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This analysis assumes that all other variables remain constant and considers the effect of changes in jet fuel price and underlying hedging contracts. The analysis is performed on the same basis for 2018.

(c) Foreign currency risk

The foreign currency risk arises when the Group carries out transactions and maintains monetary assets and liabilities in currencies other than its functional currency.

The functional currency used by the Group to establish the prices of its services is the US dollar. The Group sells most of its services at prices equivalent to the US dollar and a large part of its expenses are denominated in US dollars or are indexed to that currency, particularly fuel costs, maintenance costs, aircraft leases, lease payments, aircraft, insurance and aircraft components and accessories. The remuneration expenses are denominated in local currencies.

The Group maintains its freight and passenger rates in US dollars. Although sales in domestic markets are made in local currencies, prices are indexed to the US dollar.

The loss in foreign currency is derived primarily from the depreciation of the Colombian Peso against the US Dollar. For the years ended December 31, 2019, 2018 and 2017, the Group recognized a net loss from currency exchanges of \$(24,190), \$(9,220) and \$(20,163), respectively.

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The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group based on its risk management policy was as follows:

	December 31, 2019							
	USD	Colombian Pesos	Euros	Mexican Pesos	Argentinean Pesos	Brazilian Reals	Others	Total
Cash and cash equivalents	\$ 209,139	\$ 87,382	\$ 15,111	\$ 4,789	\$ 11,045	\$ —	\$ 15,007	\$ 342,473
Trade and other receivables, net of expected credit losses	137,692	1,474	81,982	8,591	6,637	17,764	5,499	259,639
Secured debt and bonds	(4,554,328)	(16,285)	(120,055)	—	—	—	—	(4,690,668)
Unsecured debt	(160,801)	(4,854)	—	—	—	—	—	(165,655)
Debt – Assets held for sale	(449,340)	—	(41,118)	—	—	—	—	(490,458)
Accrued expenses	(63,385)	(19,560)	(2,726)	(408)	—	(1,531)	—	(87,610)
Accounts payable	(363,129)	(51,313)	(38,716)	(19,258)	—	(17,437)	(52,693)	(542,546)
Net financial position exposure	<u>\$ (5,244,152)</u>	<u>\$ (3,156)</u>	<u>\$ (105,522)</u>	<u>\$ (6,286)</u>	<u>\$ 17,682</u>	<u>\$ (1,204)</u>	<u>\$ (32,187)</u>	<u>\$ (5,374,825)</u>
Sensitivity analysis								
Change forecast in exchange rate		(6.4)%	(0.045)%	(4.4)%	9.1%	2.6%		
Effect on profit of the year	\$ 201	\$ (48)	\$ 279	\$ 1,617	\$ (32)			

	December 31, 2018							
	USD	Colombian Pesos	Euros	Argentinean Pesos	Brazilian Reals	Others	Total	
Cash and cash equivalents	\$ 172,966	\$ 33,822	\$ 7,501	\$ 16,430	\$ 20,769	\$ 26,463	\$ 277,951	
Accounts receivable, net of expected credit losses	186,841	56,862	6,863	6,843	33,632	38,909	329,950	
Secured debt and bonds	(3,115,356)	(29,316)	(170,670)	—	—	(14,041)	(3,329,383)	
Unsecured debt	(675,699)	(2,498)	—	—	—	—	(678,197)	
Accrued expenses	(78,936)	(20,363)	(7,577)	(231)	(717)	(888)	(108,712)	
Accounts payable	(437,487)	(97,830)	(22,293)	(5,471)	(16,203)	(92,115)	(671,399)	
Net financial position exposure	<u>\$ (3,947,671)</u>	<u>\$ (59,323)</u>	<u>\$ (186,176)</u>	<u>\$ 17,571</u>	<u>\$ 37,481</u>	<u>\$ (41,672)</u>	<u>\$ (4,179,790)</u>	
Sensitivity analysis								
Change forecast in exchange rate		(4.03)%	(5.64)%	2.36%	(4.39)%			
Effect on profit of the year	\$ 2,391	\$ 10,500		415	1,645			

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Sensitivity analysis

The calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables remain constant and considers the effect of changes in the exchange rate, which is the rate that could materially affect the Group's consolidated statement of comprehensive income.

(d) *Interest rate risk*

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

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

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

Carrying amount – asset/(liability)	December 31, 2019	December 31, 2018
Fixed rate instruments		
Financial assets	\$ 272,013	\$ 68,706
Financial liabilities	(4,421,351)	(3,162,548)
Interest rate swaps	471	5,063
Total	<u>\$ (4,148,867)</u>	<u>\$ (3,088,779)</u>
Floating rate instruments		
Financial assets	\$ 5,685	\$ 14,798
Financial liabilities	(925,430)	(845,031)
Total	<u>\$ (919,745)</u>	<u>\$ (830,233)</u>

At December 31, 2019, the interest rates vary from 0.44% to 17.04% (December 31, 2018: 0.44% to 12.55%) and the main floating rate instruments are linked to LIBOR plus a spread according to the terms of each contract.

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Sensitivity analysis

As of December 31, 2019, 2018 and 2017 an average increase of 1% in interest rates on short-term and long-term debt would be expected to decrease the Group's income by \$10,466, \$10,284 and \$8,825 respectively.

(e) Credit risk

Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term of the transaction or on settlement of the transaction. Credit exposure is measured as the cost to replace existing transactions should a counterparty default.

There are no significant concentrations of credit risk at the consolidated statement of financial position date. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

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

- Trade receivables, net of expected credit losses: The Group is not exposed to significant concentrations of credit risk since most accounts receivable arise from sales of airline tickets to individuals through travel agencies in various countries, including virtual agencies and other airlines. These receivables are short term in nature and are generally settled shortly after the sales are made through major credit card companies.

Cargo-related receivables present a higher credit risk than passenger, sales given the nature of processing payment for these sales. The Group is continuing its implementation of measures to reduce this credit risk for example, by reducing the payment terms and affiliating cargo agencies to the IATA, Cargo Account Settlement Systems ("CASS"). CASS is designed to simplify the billing and settling of accounts between airlines and freight forwarders. It operates through an advanced global web-enabled e-billing solution.

- Cash, cash equivalents and deposits with banks and financial institutions: In order to reduce counterparty risk and to ensure that the risk assumed is known and managed by the Company, investments are diversified among different banking institution (both local and international). The Group evaluates the credit standing of each counterparty and the levels of investment, based on (i) their credit rating, (ii) the equity size of the counterparty, and (iii) investment limits according to the Group level of liquidity. According to these three parameters, the Group chooses the most restrictive parameter of the previous three and based on this, establishes limits for operations with each counterparty.
- Foreign exchange transactions: The Group minimizes counterparty credit risk in derivative instruments by entering into transactions with counterparties with which the Group has signed "International Swaps and Derivatives Association Master Agreements". Given their high credit ratings, management does not expect any counterparty to fail to meet its contractual obligations.

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(f) Capital risk management

The Group's capital management policy is to maintain a sound capital base in order to safeguard the Group's ability to continue as a going concern, and in doing so, face its current and long-term obligations, provide returns for its shareholders, and maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the debt-to-capital ratio.

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

	Notes	December 31, 2019	December 31, 2018
Debt	16	\$ 5,346,781	\$ 4,007,580
Less: cash and cash equivalents and restricted cash	7	(342,473)	(277,951)
Total net debt		5,004,308	3,729,629
Total equity		5,167	992,461
Total Capital		\$ 5,009,475	\$ 4,722,090
Net debt-to-capital ratio		100%	79%

Considering the difficulties presented in 2019, the "Avianca 2021" program was implemented, where one of the fundamental pillars is related to debt re-profiling (See detail note 2f – going concern).

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, 2019 are as follows:

	Notes	December 31, 2019	
		Carrying amount	Fair value
Financial assets			
Investments	12	\$ 55,440	\$ 55,440
Derivative instruments	27	536	536
Plan assets	20	204,527	204,527
		\$ 260,503	\$ 260,503
Financial liabilities			
Short term borrowings and long-term debt	16	\$5,346,781	\$5,454,688
Derivative instruments	27,28	1,289	1,289
		\$5,348,070	\$5,455,977

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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, 2018 are as follows:

	Notes	December 31, 2018	
		Carrying amount	Fair value
Financial assets			
Investments	12	\$ 67,306	\$ 67,306
Derivative instruments	27	7,456	7,456
Plan assets	20	178,594	178,594
		\$ 253,356	\$ 253,356
Financial liabilities			
Short term borrowings and long-term debt	16	\$4,007,580	\$4,022,707
Derivative instruments	28	(17)	(17)
		\$4,007,563	\$4,022,690

The fair value of the financial assets and liabilities corresponds the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management assessed that cash and cash equivalents, account receivable, account payable and other current liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

(7) Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash as of December 31, 2019, and 2018 are as follows:

	December 31, 2019	December 31, 2018
Cash on hand and bank deposits	\$ 339,010	\$ 264,565
Demand and term deposits (1)	3,462	8,543
Cash and cash equivalents	342,472	273,108
Restricted cash	1	4,843
Cash, cash equivalents and restricted cash	\$ 342,473	\$ 277,951

(1) As of December 31, 2019, and 2018, within the cash equivalents, there are demand and term deposits that amounted to \$3,462 and \$ 8,543, respectively. The use of term deposits depends on the cash requirements of the Group. As of December 31, 2019, term deposits accrue annual interest rates between 3.61% and 5.21% in

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Colombian pesos and between 1.94% and 6.02% in dollars. As of December 31, 2018, term deposits accrue annual interest rates between 2.61% and 4.85% in Colombian pesos and between 2.05% and 4.59% in dollars.

(8) Trade and other receivables

Trade and other receivables as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Trade	\$ 222,694	\$ 258,186
Employee advances	3,267	4,848
Other (1)	72,331	73,056
	\$ 298,292	\$ 336,090
Less provision for expected credit losses	(42,001)	(12,430)
Total	\$ 256,291	\$ 323,660
Net current	\$ 233,722	\$ 288,157
Net non-current	22,569	35,503
Total	\$ 256,291	\$ 323,660

Trade receivables are non-interest bearing.

(1) As of December 31, 2019, corresponds mainly to accounts receivable to Chelsea Securities S.A. for \$34,980. As of December 31, 2018, corresponds mainly to amounts charged to Rolls Royce to contractual rights acquired in connection with failures in Trent 100 engines. As of December 31, 2019, the carrying amount is \$11,409.

Changes during the year in the provision for expected credit losses for as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of year	\$ 12,430	\$ 13,180
Adjustment implementation IFRS 9	—	(216)
Provision bad debt expense (1)	50,703	4,526
Reversal against the allowance	(21,132)	(5,060)
Total	\$ 42,001	\$ 12,430

(1) As December 31, 2019, includes impairment of the account receivable assigned by Grupo Aeromar SA of CV to Chelsea Securities, S.A., this account receivable is unsecured, originated in a potential investment of the Group in the Mexican market, a decision to the invest wasn't approved (\$34,980).

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The aging of trade receivables at the end of the reporting period is as follows:

	December 31, 2019	December 31, 2018
Neither past due nor impaired	\$ 129,732	\$ 169,589
Past due 1–30 days	24,259	33,721
Past due 31–90 days	16,896	17,506
Past due 91 days	51,807	37,370
Total trade	\$ 222,694	\$ 258,186
Less provision for expected credit losses	(7,021)	(12,430)
Trade receivables, net of expected credit losses	\$ 215,673	\$ 245,756

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(9) Balances and transactions with related parties

The following is a summary of transactions and balances of related parties for the periods ended December 31, 2019 and 2018:

Company	Country	December 31, 2019				December 31, 2018			
		Receivables	Payables	Revenues	Expenses	Receivables	Payables	Revenues	Expenses
SP SYN Participações S.A,	Brasil	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 585	\$ —
OceanAir Linhas Aéreas, S.A,	Brasil	2,906	2,178	6,988	26,712	6,199	1,078	23,062	58,479
Aeromantenimiento, S.A,	El Salvador	—	—	—	—	10	—	—	—
Transportadora del Meta S.A.S,	Colombia	—	448	6	4,390	13	569	19	4,781
Empresariales S.A.S,	Colombia	—	475	—	2,755	—	364	5	3,511
Global Operadora Hotelera S.A.S	Colombia	4	368	6	2,532	9	532	7	5,954
Corp Hotelera Internac., S.A,	El Salvador	—	131	—	731	—	203	—	745
Servicios Aéreos Nacionales S.A,	Costa Rica	180	104	213	—	—	—	—	—
Turbo Leasing Corp,	Bahamas	196	—	196	—	—	—	—	—
Other		62	9	3	58	59	81	6	2
Subtotal		\$ 3,348	\$ 3,713	\$ 7,412	\$ 37,178	\$ 6,290	\$ 2,827	\$ 23,684	\$ 73,472
Short-term		Receivables	Payables			Receivables	Payables		
		\$ 3,348	\$ 3,713			\$ 6,290	\$ 2,827		

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The Group in December 31, 2019 recognized an estimate for impairment for accounts in relation with OceanAir Linhas Aereas, S.A account receivable for \$7,513, that corresponds mainly to aircraft rentals and interline charges during 2019.

As of December 31, 2019, the Group received convertible equity financing from Kingsland International Group and United Airlines in the amount of \$324,000. (See note 16).

The following is a description of the nature of services provided by and to related parties. These transactions include:

Related party**Nature of Services**

Corporación Hotelera Internacional S.A. Accommodation services for crews and employees of the Group.
Global Operadora Hotelera S.A.S.

Empresariales S.A.S.

Transportation services for employees of Avianca, S.A.

On December 10, 2018, Oceanair Linhas Aéreas SA, a Brazilian airline that licenses the “Avianca” brand, together with AVB Holding SA, its parent entity, filed a petition for judicial restructuring before the First Bankruptcy Court of the Central District Court of the District of State of São Paulo, Brazil. The judicial recovery plan was approved at a general meeting of creditors on April 5, 2019. • On April 12, 2019, judicial recovery was granted, and the judge ratified the judicial recovery plan.

OceanAir Linhas Aéreas, S.A. – in judicial reorganization (*recuperação judicial*)

Swissport and Petrobras two creditors in the judicial restructuring process, filed an interlocutory appeal against the decision that ratified the judicial recovery plan and requested a court order to suspend the auction of isolated productive units (UPI); • The São Paulo State Court granted the mandate of Swissport and suspended the UPI auction until a final resolution on the appeal is pending.

Oceanair and AVB appealed against the suspension of the auction and the São Paulo State Court granted the appeal to allow Oceanair and AVB to proceed with the auction of seven UPIs, which contain airport spaces and the “Amigo Program”; • On July 10, 2019, Oceanair and AVB sold five of their seven UPIs at auction. Gol acquired 3 UPI and Latam 2 UPI.

On July 11, 2019, ANAC said it would redistribute 41 slots at Congonhas airport as of July 29.

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Related party**Nature of Services**

The decision of the interlocutory appeals filed by Petrobras and Swissport in relation to the approval of the judicial recovery plan was scheduled for July 29, 2019, where there was no unanimous decision and the sentence of said remedies was postponed until September. Subsequently, on September 26, 2019, the State Court of São Paulo, by majority, dismissed the interlocutory appeals, so the Oceainair and AVB bankruptcy declaration did not proceed at that time, since the list of art. 73 of the LRF is exhaustive and only allows a restrictive interpretation. Swissport and Petrobras filed new appeals that are still pending sentencing.

On the other hand, within the scope of the judicial recovery plan, the aircraft renters submitted a declaration, requesting that the resources obtained in the auction be reserved, so that DIP creditors are paid with priority.

On November 12, 2019, Oceanair submitted a statement stating that, in view of the redistribution of the slots (and the pending decision of the appeals that discuss this matter and that involve the ANAC), the payment of the auctions will be if it would suspend under the plan and, therefore, the request made by the lessors would have lost the object. Therefore, as stated by Oceanair, it would be necessary to wait for the decision of the appeals involving ANAC, so that the auctions continue and only then, can the creditors be paid. On December 10, 2019, the Court of Appeals of São Paulo ruled in favor of ANAC, which decided that this entity would be able to redistribute the arrival and departure slots of Oceanair flights.

On November 12, 2019, the Judicial Administrator (trustee) submitted a petition to the Judge, opting for the bankruptcy of Oceanair and AVB, in view of the absence of commercial activities by them. On December 18, 2019, the Judge decided, among other matters, to summon Oceanair to pronounce on the recommendation of the Judicial Administrator so that the judicial recovery plan becomes a bankruptcy process. Given that the judicial branch in Brazil was in recess from December 20, 2019 until January 20, 2020, On January 27, 2020, Oceanair requested a period of 10 days to decide on the request of the Judicial Administrator. The 10-day term that Oceanair had requested to rule on the recommendation of the judicial administrator to convert the case into bankruptcy was granted.

The Avianca group had signed several contracts with Oceanair for the provision of logistics, marketing, advertising, maintenance, training, as well as an agreement with Tampa Cargo S.A.S. since November 4, 2014, reserve capacity to obtain priority rights and a minimum cargo transport capacity guaranteed on certain flights of the airline. Such contracts to date are not valid given the current situation of Oceanair and for the most part they are not being executed, therefore, Avianca sent to Oceanair a notification of termination of the contracts, so there are no more commercial relations between the

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<u>Related party</u>	<u>Nature of Services</u>
Turboprop Leasing Corp	companies. Also, Avianca had signed a license agreement with Oceanair for the use of the Avianca brand in Brazil, which ended in June 2019. Additionally, Avianca leased aircraft to Oceanair (see note 33).
Servicios Aéreos Nacionales S.A	Maintenance services to Avianca Guatemala S.A and Avianca Costa Rica S.A.
Transportadora del meta S.A.S.	It provides Avianca, S.A. ground transportation services for cargo / courier shipments.

Key management personnel compensation expense

During the year ended December 31, 2019, 2018 and 2017 the short-term employee benefits for key management personnel are \$22,402, \$26,499 and \$22,074. The Group does not have any long-term benefits including post-employment benefits, defined contribution plan, termination benefits or other long-term benefits for the key management personnel.

Following the detail for short-term compensation:

	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries	\$ 12,467	\$ 13,791	\$ 13,571
Bonuses	6,658	8,775	5,054
Social benefits	2,149	3,027	2,604
Loans	—	—	55
Compensation	222	73	31
Others	906	833	759
Total	\$ 22,402	\$ 26,499	\$ 22,074

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(10) Expendable spare parts and supplies, net of provision for obsolescence

Expendable spare parts and supplies as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Expendable spare parts	\$ 79,427	\$ 83,151
Supplies	8,907	7,244
Total	\$ 88,334	\$ 90,395

For the years ended December 31, 2019, 2018 and 2017 expendable spare parts and supplies in the amount of \$63,229, \$84,662 and \$60,027, respectively, were recognized as maintenance expense.

Changes during the year in the provision for expendable spare parts and supplies obsolescence as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of year	\$ 6,505	\$ 18,631
Expense (reversal) for obsolete inventory	2,075	(3,203)
Write-offs against the allowance	(3,250)	(8,923)
Balance at end of year	\$ 5,330	\$ 6,505

(11) Prepayments

Prepayments as of December 31, 2019, and 2018 are as follows:

	December 31, 2019	December 31, 2018
Prepaid commissions (1)	\$ 41,727	\$ 27,991
Prepaid compensations clients	13,768	37,130
Advance payments on operating aircraft leases	70	12,470
Premiums for insurance policies	4,716	2,401
Other	8,731	19,872
Total	\$ 69,012	\$ 99,864

(1) Advance payment made to IATA for service charges made by airlines. This is mainly the case with Airlines that belong to Star Alliance for the accumulation of miles, use of VIP lounges and Reservation Systems, Travelport Global Distribution System B.V., Services of Bolivian Airports, S.A., United Airlines Inc.

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(12) Short term investments, deposits and other assets

Short term investments, deposits and other assets as of December 31, 2019 and 2018 are as follows:

	Notes	December 31, 2019	December 31, 2018
Short term investments (1)		\$ 55,440	\$ 59,847
Total		\$ 55,440	\$ 59,847
Deposits and other assets – short term:			
Deposits with lessors (2)		\$ 11,963	\$ 15,535
Guarantee deposits (3)		8,657	2,283
Others (4)		18,030	9,542
Subtotal		38,650	27,360
Fair value of derivative instruments	27	525	2,566
Total		\$ 39,175	\$ 29,926
Deposits and other assets – long term:			
Deposits with lessors (2)		\$ 35,374	\$ 73,569
Long term investments – restricted		—	7,459
Guarantee deposits (3)		10,032	14,715
Others (4)		8,657	14,983
Subtotal		54,063	110,726
Fair value of derivative instruments	27	11	4,778
Total		\$ 54,074	\$ 115,504

(1) Short term classification corresponds to funds invested that will expire within one year. All treasury cash surpluses are invested as defined and outlined in the Group's Investment Policy. Otherwise, they are classified as long-term. The restricted investments correspond to CDT's and bonds constituted by the Trusts held by the Group.

(2) Corresponds mainly to maintenance deposits in connection with leased aircraft. These deposits are applied to future maintenance event costs and are calculated on the basis of a performance measure, such as flight hours or cycles. They are specifically intended to guarantee maintenance events on leased aircraft.

Maintenance deposits paid do not transfer the obligation to maintain aircraft or the costs associated with maintenance activities.

Maintenance deposits are reimbursable to the Group upon completion of the maintenance event in an amount equal to the lesser of (a) the amount of the maintenance deposits held by the lessor associated with the specific maintenance event or (b) the qualifying costs related to the specific maintenance event.

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The variation corresponds to the change of guarantee on the debt since now the Group constitutes letters of credit with the same lessor in order to ensure the payments.

- (3) Corresponds mainly to amounts paid to suppliers in connections with leasehold of airport facilities, among other service agreements.
- (4) It mainly corresponds to guarantee deposits, national tax return and deferred charges. The increase is by guarantee deposits in the renewal for agreements on aircraft leasing with JP Morgan bank.

(13) Property and equipment, net

The main additions correspond to:

- Flight equipment: During the year ended December 31, 2019, the Group acquired three Airbus A320N aircraft for \$33,500, \$31,111 and \$30,242 one Boeing 787-9 aircraft for \$77,673 recognized as rights of use and one Airbus A300F aircraft, for \$14,495. During the year ended December 31, 2018, the Group acquired two aircraft A-330-300, two aircraft A321-200, one aircraft B-787 and one aircraft 320 under financial leasing, in the amount of \$441,175.
- Capitalized maintenance: Additions reported for the year ended December 31, 2019 and 2018 correspond mainly to major repairs of the fuselage for \$29,944 and \$16,441, respectively, and major engine repairs for \$189,922 and \$197,674, respectively.
- Reimbursement of predelivery payments (PDP's): In the item of aircraft advances, as of December 31, 2019 and 2018, the Group capitalized loan costs of \$11,401 at an average interest rate of 6.91% and \$16,355 at an interest rate average of 7.16%, respectively.

During the year ended December 31, 2019, the Group signed an Aircraft Purchase Agreement Assignment, assigning 3 Boeing 787-9 aircraft to Valderrama Aviation Limited, therefore, \$90,312 related to this event were disposal.

- Others: During the year ended December 31, 2019 the following capitalizations can be highlighted:
 - Aircraft tools: \$7,504
 - BFE process-assembly: \$6,685
 - Security equipment: \$1,838
 - Improvement property \$2,056
 - On board service equipment: \$682
 - Rights of use IFRS 16- premises and offices: \$8,981
 - Hangar: \$2,836

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- Ramp machinery and equipment: \$5,103
- Furniture and office equipment \$421
- Communication and computer equipment \$643
- Transport equipment \$1,005

Impairment

In the year 2019, the impairment loss of \$470,661 represented:

- Impairment of fleet Embraer E-190 and Airbus \$455,794: During the year 2019, due to the organizational transformation plan called “Avianca 2021”, the Group made the decision to sell 10 Embraer 190, 10 Airbus A318, 2 Airbus A319, 16 Airbus A320, 4 Airbus A321, 2 Airbus A330 and 1 Airbus A330F, in the search for greater fleet standardization, generating benefits and operational efficiencies. The carrying amount (\$1,300,032) was lower than the fair value less to cost to sell (\$844,238), the impairment was recognized in the consolidated statements of comprehensive income. Then the Group classified these assets to assets held for sale.
- Administrative properties: Impairment of administrative property located in Venezuela \$14,867 taking into consideration the significantly high levels of inflation that exist in Venezuela and the volatility of foreign currency exchange rates resulting from continued political instability, we record the impairment charges of value of our five offices in Venezuela. As a result of these impairment charges, the remaining book value of these administrative properties is zero. In the year 2019 the process of intention to sell these offices was reactivated.

In the year 2018, the impairment loss of \$38,881 represented:

- Impairment of fleet Embraer E-190 \$38,881: The impairment of the residual value was the result of the decision to begin withdrawing our Embraer-190 fleet from 2019, in the search for greater standardization of the fleet, generating benefits and operational efficiencies. This was recognized in the consolidated statement of comprehensive income. The amount of the impairment value as of December 31, 2018 was based on the fact that this type of fleet has had a very significant decrease in the market value in the current year.

Sale and Leaseback transactions

See changes with application under IFRS 16-Lease Agreements (see note 4)

During the year ending December 31, 2019, the group have not executed lease back transactions.

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During the year ended December 31, 2018, the Group obtained an excess of sale proceeds over the carrying amount for \$70,070 related to subsequent sale and lease transactions:

- Transaction results in a financial lease: \$53,990 was recognized as financial leasing and it has been deferred and will be amortized over the term of financing, \$5,399 and \$4,747 were recognized in the consolidated statement of comprehensive income, as amortization in December 2019 and 2018, respectively.

Administrative property

The Group uses the revaluation model to measure its land and buildings which are composed of administrative properties. Management determined that this constitutes one class of asset under IAS 16, based on the nature, characteristics and risks of the property. The fair values of the properties were determined by using market comparable methods. This means that valuations performed by the appraisals are based on active market prices, adjusted for difference in the nature, location or condition of the specific property. The Group engaged accredited independent appraisals, to assist management determine the fair value of its land and buildings. Land and buildings were revaluated at December 31, 2019 and 2018.

In order to establish the fair value of real estate as of December 31, 2019, the revaluation of land of \$(1,376) and buildings of \$4,137 originated from the figures determined in the technical studies (valuation) was recognized as a result a final balance of Land is recorded for \$ 53,160 and \$83,186 for buildings.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	December 31, 2019	December 31, 2018
Cost	\$ 102,351	\$ 102,351
Accumulated depreciation	(11,230)	(10,371)
Net carrying amount	\$ 91,121	\$ 91,980

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Flight equipment, property and other equipment as of December 31, 2019, and 2018 is as follows:

	Flight Equipment	Capitalized Maintenance	Rotable Spare parts	Reimbursement of predelivery payments	Administrative property	Others	Total
Gross:							
December 31, 2018	\$ 5,244,160	\$ 791,004	\$225,841	\$ 260,000	\$ 135,838	\$263,433	\$ 6,920,276
Adoption IFRS 16 (see note 4)	1,010,200	—	—	—	—	69,533	1,079,733
January 1, 2019	\$ 6,254,360	\$ 791,004	\$225,841	\$ 260,000	\$ 135,838	\$332,966	\$ 8,000,009
Additions	303,476	219,866	16,196	21,324	—	38,198	599,060
Disposals	(48,381)	(114,323)	(43,207)	(95,848)	—	(46,583)	(348,342)
Transfers	18,237	(8,554)	(5,228)	(4,149)	—	(306)	—
Sale of subsidiaries	(31,270)	(5,424)	(198)	—	—	(2,739)	(39,631)
Transfers to assets held for sale	(1,563,366)	(288,775)	(20,086)	—	—	(2,398)	(1,874,625)
Revaluation	—	—	—	—	2,761	—	2,761
December 31, 2019	\$ 4,933,056	\$ 593,794	\$173,318	\$ 181,327	\$ 138,599	\$319,138	\$ 6,339,232
Accumulated depreciation:							
December 31, 2018	\$ 1,028,191	\$ 364,976	\$ 57,238	\$ —	\$ 10,789	\$145,765	\$ 1,606,959
Additions	341,699	157,572	20,047	—	2,178	26,780	548,276
Impairment	455,794	—	—	—	14,867	—	470,661
Disposals	(39,166)	(111,793)	(12,960)	—	(347)	(28,396)	(192,662)
Transfers	7,682	(6,985)	(637)	—	—	(60)	—
Sale of subsidiaries	(11,560)	(3,597)	(34)	—	—	(1,741)	(16,932)
Transfers to assets held for sale	(837,420)	(174,200)	(16,377)	—	—	(2,390)	(1,030,387)
December 31, 2019	\$ 945,220	\$ 225,973	\$ 47,277	\$ —	\$ 27,487	\$139,958	\$ 1,385,915
Net:							
December 31, 2018	\$ 4,215,969	\$ 426,028	\$168,603	\$ 260,000	\$ 125,049	\$117,668	\$ 5,313,317
December 31, 2019	\$ 3,987,836	\$ 367,821	\$126,041	\$ 181,327	\$ 111,112	\$179,180	\$ 4,953,317

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Flight equipment, property and other equipment as of December 31, 2018 and 2017 is as follows:

	<u>Flight Equipment</u>	<u>Capitalized Maintenance</u>	<u>Rotable Spare parts</u>	<u>Reimbursement of predelivery payments</u>	<u>Administrative property</u>	<u>Others</u>	<u>Total</u>
Gross:							
December 31, 2017	\$4,808,885	\$ 555,619	\$ 219,067	\$ 159,303	\$ 158,217	\$294,306	\$6,195,397
Additions	516,614	238,597	30,098	111,711	1,615	71,437	970,072
Disposals	(81,381)	(3,632)	(22,843)	(11,014)	(3,546)	(48,165)	(170,581)
Transfers	42	420	(481)	—	—	19	—
Transfers to assets held for sale	—	—	—	—	—	(41,402)	(41,402)
Sale of subsidiaries	—	—	—	—	—	(12,762)	(12,762)
Revaluation	—	—	—	—	(20,448)	—	(20,448)
December 31, 2018	\$5,244,160	\$ 791,004	\$ 225,841	\$ 260,000	\$ 135,838	\$263,433	\$6,920,276
Accumulated depreciation:							
December 31, 2017	\$ 824,774	\$ 270,780	\$ 67,560	\$ —	\$ 10,554	\$140,713	\$1,314,381
Additions	192,581	95,460	10,742	—	2,310	23,245	324,338
Disposals	(28,188)	(1,264)	(20,918)	—	(2,075)	(1,065)	(53,510)
Impairment	38,881	—	—	—	—	—	38,881
Transfers	143	—	(146)	—	—	3	—
Transfers to assets held for sale	—	—	—	—	—	(9,573)	(9,573)
Sale of subsidiaries	—	—	—	—	—	(7,558)	(7,558)
December 31, 2018	\$1,028,191	\$ 364,976	\$ 57,238	\$ —	\$ 10,789	\$145,765	\$1,606,959
Net:							
December 31, 2017	\$3,984,111	\$ 284,839	\$ 151,507	\$ 159,303	\$ 147,663	\$153,593	\$4,881,016
December 31, 2018	\$4,215,969	\$ 426,028	\$168,603	\$ 260,000	\$ 125,049	\$117,668	\$5,313,317

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(14) Intangible assets and good will, net

Intangible assets and good will, net of amortization as of December 31, 2019 and 2018 are follows:

	December 31, 2019	December 31, 2018
Routes	\$ 31,911	\$ 34,299
Trademarks	3,938	3,959
Software and webpages	158,690	84,470
Other intangible rights	2,935	83,042
Subtotal	197,474	205,770
Goodwill	308,033	308,033
Total Intangible Assets	\$ 505,507	\$ 513,803

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The following is the detail of intangible assets as of December 31, 2019 and 2018:

	<u>Goodwill</u>	<u>Routes</u>	<u>Trade-Marks</u>	<u>Software & Webpages</u>	<u>Others</u>	<u>Total</u>
Cost:						
December 31, 2018	\$311,180	\$52,481	\$3,959	\$ 171,400	\$101,447	\$640,467
Additions (1)	—	—	—	34,751	2,099	36,850
Transfers	—	—	—	76,025	(76,025)	—
Disposals	—	—	(21)	—	—	(21)
Sale of subsidiaries	—	—	—	(50)	—	(50)
December 31, 2019	\$311,180	\$52,481	\$3,938	\$ 282,126	\$ 27,521	\$677,246
Accumulated Amortization and Impairment Losses:						
December 31, 2018	\$ 3,147	\$18,182	\$ —	\$ 86,930	\$ 18,405	\$126,664
Amortization for the year	—	2,388	—	36,551	6,181	45,120
Sale of subsidiaries	—	—	—	(45)	—	(45)
December 31, 2019	\$ 3,147	\$20,570	\$ —	\$ 123,436	\$ 24,586	\$171,739
Carrying Amounts:						
December 31, 2018	\$308,033	\$34,299	\$3,959	\$ 84,470	\$ 83,042	\$513,803
December 31, 2019	\$308,033	\$31,911	\$3,938	\$ 158,690	\$ 2,935	\$505,507

(1) The main acquisitions of other intangibles correspond to SAP project for \$21,825, digital transformation project for \$2,387, CRM project \$2,179, Core System project \$1,108.

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The following is the detail of intangible assets as of December 31, 2018 and 2017:

	<u>Goodwill</u>	<u>Routes</u>	<u>Trade-Marks</u>	<u>Software & Webpages</u>	<u>Others (1)</u>	<u>Total</u>
Cost:						
December 31, 2017	\$314,420	\$52,481	\$3,938	\$ 147,512	\$ 8,721	\$527,072
Other Acquisitions – Internally developed	—	—	21	23,888	92,726	116,635
Acquisitions / Adjustment through Business Combinations	(3,240)	—	—	—	—	(3,240)
December 31, 2018	\$311,180	\$52,481	\$3,959	\$ 171,400	\$101,447	\$640,467
Accumulated Amortization and Impairment Losses:						
December 31, 2017	\$ 3,147	\$15,978	\$ —	\$ 76,585	\$ 4,783	\$100,493
Amortization for the year	—	2,204	—	10,345	13,622	26,171
December 31, 2018	\$ 3,147	\$18,182	\$ —	\$ 86,930	\$ 18,405	\$126,664
Carrying Amounts:						
December 31, 2017	\$311,273	\$36,503	\$3,938	\$ 70,927	\$ 3,938	\$426,579
December 31, 2018	\$308,033	\$34,299	\$3,959	\$ 84,470	\$ 83,042	\$513,803

(1) The main acquisitions of other intangibles correspond to digital transformation project for \$28,567, the SAP project for \$17,566, J2C project for \$13,056, SOC Project for \$8,848 and CRM project 5,936.

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(14.1) Goodwill and intangible assets with indefinite useful life

For the purposes of impairment testing of goodwill acquired through combinations of business and other intangibles with indefinite useful life, acquired before 2019, have been assigned to the air transport segment, since the Group considers that according to the operational and financial synergies between the different companies of the Group, this is the most appropriate and least arbitrary to measure the recoverable amount. In line with operative model of the Group.

The carrying value of the goodwill allocated to the air transport segment is as follows:

	December 31, 2019	December 31, 2018 (1)
Goodwill	\$ 308,033	\$ 308,033
Routes	23,463	23,463
Trademarks	3,938	3,938

(1) Until December 31, 2018, the Group assigned goodwill and intangible assets with an indefinite life to the following Cash Generating Units (CGU): Avianca Ecuador. S.A., Grupo Taca Holdings Limited, and Tampa Cargo S.A.S. The interrelation between the companies of the air division and given that the Company manages the division as a single business unit, for the purposes of valuation for the year 2019 it has been decided to consider these companies and the rest of the air operators, as a single CGU.

The group performed its annual impairment test in the fourth quarter of 2019 consistently with previous years. As of December 31, 2019, and 2018, the Group did not identify potential impairment of goodwill or intangible assets.

Basis for calculating recoverable amount

The recoverable amounts of CGUs have been measured based on their value-in-use.

Value-in-use is calculated using a discounted cash flow model. Cash flow projections are based on the Business plan approved by the Board covering a five-year period. Cash flows extrapolated beyond the five-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using the CGU's pre-tax discount rate.

Under the Board of directors approved business plan in the fourth quarter of 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.

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The main hypotheses used in the calculations of the value in use are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018 (1)</u>
Carrying amount of goodwill, routes and trademarks with indefinite life	\$ 335,435	\$ 335,435
Impairment losses	—	—
Revenue growth p.a. over planning period	2.3% to 5%	-0.6% to 9.6%
Operating income over planning period	5.2% to 8.8%	3.0% to 17.7%
Capital expenditures over planning period	(0.2%) to 12.69%	2% to 17%
Duration of planning period	5 years	5 years
Revenue growth p.a. after planning period	4.3%	4.2%
Operating Income after planning period	10.00%	8.13%
Capital expenditures after planning period	6.43%	8%
Business Enterprise Value	9,269,446	3,176,243
Discount rate	8.72%	11.7%

(1) Until December 31, 2018, the Group assigned goodwill and intangible assets with an indefinite life to the following Cash Generating Units (CGU): Avianca Ecuador. S.A., Grupo Taca Holdings Limited, and Tampa Cargo S.A.S. The interrelation between the companies of the air division and given that the Company manages the division as a single business unit, for the purposes of valuation for the year 2019 it has been decided to consider these companies and the rest of the air operators, as a single CGU. The resulting differences between the 2018 and 2019 periods are derived from this change.

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(15) Assets held for sale

Assets held for sale as of December 31, 2019 and 2018 consisted of the following assets:

	December 31, 2019	December 31, 2018
Flight Simulators (1)	\$ —	\$ 31,580
Airbus aircraft (2, 3)	128,640	—
Airbus aircraft – Sale and subsequent lease (2,3,4)	489,149	—
E-190 aircraft (2, 3)	63,264	—
Total assets held for sale	\$ 681,053	\$ 31,580
Liabilities associated with the assets held for sale	490,458	—
Total Debt assets held for sale	\$ 490,458	\$ —

- (1) The Group signed a sale agreement on January 30, 2019 with CAE International Holdings Ltd., agreeing to sell (10) ten flight simulators belonging to the Group. As of December 31, 2019, the flight simulators were sold, and this operation generated a gain on sale of \$5,970.
- (2) In August 2019, the Group began the process of selling 10 Airbus A318, 2 Airbus A319, 16 Airbus A320, 4 Airbus A321, 2 Airbus A330, 1 Airbus A330F and 10 Embraer E-190, in accordance with the business transformation plan where greater efficiency of the operated fleet is sought. This sales process would be subject to customary closing conditions. This plan seeks to reduce the families of older aircraft, to increase our efficiency. As of December 31, 2019, the 10 Airbus A318 were sold for \$106,350 and 4 Airbus A320 were sold for \$53,141. These sales generated a loss on sale of \$(3,694).
- (3) An impairment loss of \$455,794 has been recognized under the heading “Depreciation, amortization and impairment”, related to the difference between the carrying amount of the aircraft indicated in the preceding paragraph and the fair value less selling costs.
- (4) The Group in the month of December 2019 signed a subsequent sale and lease agreement in relation to 15 aircraft (Airbus A320 and A321), whose deliveries begin in January and ends in March 2020.
- (5) The assets classified as held for sale belong to the operating segment of air transportation.

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(16) Long-term debt

Loans and borrowings, measured at amortized cost, as of December 31, 2019 and 2018 are summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current:		
Short-term borrowings and current portion of long-term debt	\$ 569,292	\$ 589,366
Current portion-bonds	65,632	37,376
Short-term aircraft rentals - right of use (1)	229,260	—
Short-term other rentals - right of use (1)	7,860	—
	<u><u>\$ 872,044</u></u>	<u><u>\$ 626,742</u></u>
Noncurrent:		
Long-term debt	\$ 2,557,257	\$ 2,830,922
Noncurrent portion-bonds	465,612	549,916
Long-term aircraft rentals – right of use (1)	899,265	—
Long-term other rentals – right of use (1)	62,145	—
	<u><u>\$ 3,984,279</u></u>	<u><u>\$ 3,380,838</u></u>

(1) As of January 1, 2019, as a result of the adoption of IFRS 16, the Group recognize leases liabilities in connection with the right of use of assets recognized (see note 4).

Non-compliance debt

As such, on June 25, 2019 we unilaterally suspended debt amortization payments. There were pending payments for \$2,255 million at third quarter of 2019. In addition, operating lease payments for \$59.3 million were suspended.

At December 31, 2019, the Group renegotiated the conditions of most of the loans, with the following terms for most of the contracts:

- Deferred payments for a total amount of \$224.3 million.
- Deadlines were extended until 36 months for deferred payments.
- In addition to the negotiations for the payment of the deferred amounts mentioned above, and considering the new situation of the company, it was possible to renegotiate mainly the clauses of financial and non-financial Covenants and clauses of Change in Control

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As of December 31, 2019, we have overdue payments of \$1.7 million which represents a total amount of debt of \$34.4 million, which in the financial statements is presented as short term. This debt was renegotiated on January 30, 2020, with the following conditions:

- Payments were deferred for a total amount of EUR\$3.1 million (approximately \$ 3.4 million)
- Deadlines were extended until 36 months for deferred payments.
- In addition to the negotiations for the payment of the deferred amounts mentioned above, and considering the new situation of the company, it was possible to renegotiate mainly the clauses of financial and non-financial Covenants and clauses of Change in Control.

Terms and conditions of the Group's outstanding obligations for periods ended December 31, 2019 and 2018, are as follows:

	December 31, 2019			
	<u>Due through</u>	<u>Weighted average interest rate</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Short-term borrowings	2020	6.43%	\$ 128,671	\$ 118,137
Long-term debt	2029	4.68%	4,185,526	3,008,412
Bonds- Luxembourg	2023	9.93%	550,000	531,244
Aircraft rentals	2031	4.92%	1,347,219	1,128,525
Other rentals	2037	7.37%	87,405	70,005
Total			\$6,298,821	\$4,856,323

	December 31, 2018			
	<u>Due through</u>	<u>Weighted average interest rate</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Short-term borrowings	2019	5.81%	\$ 130,858	\$ 119,866
Long-term debt	2029	4.76%	5,249,987	3,300,422
Bonds- Colombia	2019	9.87%	81,966	28,147
Bonds- Luxembourg	2020	7.95%	550,000	559,145
Total			\$6,012,811	\$4,007,580

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Aircraft	\$ 1,831,470	\$ 2,396,748
Corporate	1,295,079	1,023,540
Bonds	531,244	587,292
Right of use IFRS 16	1,198,530	—
	<u>\$ 4,856,323</u>	<u>\$ 4,007,580</u>

The majority of interests bearing liabilities are denominated in US dollars except for bonds and certain financing liabilities for working capital which are denominated in Colombian Pesos, and some aircraft debts denominated in Euros.

The main additions for the year ended December 31, 2019 and 2018 corresponds to:

- Loans (financial leasing) to finance the purchase of aircraft:
 - During 2019, the Group obtained \$165,838 under loans in order to refinance three A319, nine A320, two A321 and two A330 aircraft. In addition, there were registered use rights debt for \$313,001 for three Airbus A320N, Boeing 787-9 and refinancing of the fleet that is recognized as rights of use.
 - During 2018, the Group obtained \$427,751 in loans to finance the purchase of one A320 aircraft, two A321, two A330, and one B787.
- Loans for general purposes of:
 - During 2019, the Group also obtained \$459,717 for general working purposes. Mainly, it corresponds to a \$324,000 loan with Kingsland and United Airlines and private investors through their administrative agent UMB Bank N.A. at a rate 3% for a term of 4 years. Also, there are loans acquired by LifeMiles, \$100,000 at a rate Libor + 5.5 for a term of 3 years.
 - During 2018, the Group also obtained \$303,640 for general purposes working capital. Mainly these loans are acquired by LifeMiles, \$ 95,000 at a rate Libor + 5.5 for a term of 4 years, with the purpose of paying dividends.

Secured loan agreement with United Airlines Inc. and Kingsland International Group S.A.

On November 18, 2019, Avianca Holdings S.A. signed a \$250,000 convertible secured loan agreement with United Airlines, Inc. (“United”) and Kingsland International Group, S.A. or its affiliates (collectively, “Kingsland”), as creditors, which was added for \$ 74,000 for a total of \$324,000.

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The main terms and conditions of convertible loan are:

- Expiration: Four years from the date of initial disbursement.
- Interest: 3% annual PIK.
- Guarantee: A pledge on the shares of the most relevant subsidiaries of the Company.
- Conversion Price - \$4.6217 (in dollars) for each ADS, representing a 35% surcharge to the weighted average price volume at 90 days, as of October 3, 2019, of \$3.4235 (in dollars). If there is a change of control event of the Company, the conversion price will be reduced to \$4.1595 (in dollars).

The conversion price can be adjusted if the price adjustment events contemplated in the agreement are given.

- Mandatory conversion - The Company may require that the entire amount due under the Convertible Loan, together with all the corresponding PIK interest and cash caused, be converted into the Company's capital in the event that the following conditions are met: (i) (a) Company ADSs are priced at a price of \$7.00 (in dollars), or greater, at a weighted average price volume at 112 of 150 consecutive business days (if such conversion occurs after the first anniversary of the Convertible Loan disbursement) or (b) the Company ADSs are quoted at a price of \$7.00 (in dollars), or greater, at a weighted price volume of 90 consecutive 120 business days (if such conversion occurs after the first anniversary of the disbursement of the Convertible Loan), (ii) the total average consolidated cash balance of the Company is equal to or exceeds \$700,000 in the immediately preceding six-month period, (iii) the non-existence of defaults under the Convertible Loan documentation and (iv) the non-existence of material disputes.
- According to the contractual conditions, this financial instrument is classified as debt.

Senior bonds

As part of the Avianca Holdings debt reprofiling program, on December 31, 2019, the automatic and mandatory exchange of \$ 484,419 of the aggregate principal amount of the Guaranteed Senior Bonds issued and in circulation with a 8.375% coupon with maturity in 2020 for an amount of nominal equivalent Senior Guaranteed, with a coupon of 9.00% and maturity in 2023 (the "New Bonds"). The non-exchanged bonds ("Existing Bonds") amount to an amount of \$65,581 that have the same conditions of the initial issuance and whose maturity is in May 2020.

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As of December 31, 2019, and 2018 the Senior Notes outstanding, and the corresponding balances are as follows:

Issuing entities	Original currency	Total placed in original currency	Balance as of	
			December 31, 2019	December 31, 2018
Avianca Holdings S.A., Avianca Leasing LLC and Grupo Taca Holdings Limited	USD	550,000	\$ 65,632	\$ 559,145

Issuers: Avianca Holdings S.A., Avianca Leasing, LLC, and Grupo Taca Holdings Limited

Guarantors: Avianca Costa Rica, S.A., Avianca Perú S.A., and Taca International Airlines, S.A. fully and unconditionally guarantee the total Notes. Aerovías del Continente Americano – Avianca, S.A. unconditionally guarantee the obligations of Avianca Leasing, LLC under the Senior Notes in an amount equal to \$367 million.

Pending bonds \$ 65,581 aggregate capital amount of 8.375% Senior Bonds payable in 2020.

Initial Issue Price: 98.706%

Initial Issue Date: May 10, 2013

Issue Amount: \$300 million

Interest: The Senior Notes will bear interest at a fixed rate of 8.375% per year. The first issuance is payable semiannually in arrears on May 10 and November 10 of each year, commencing on November 10, 2013. Interest will accrue from May 10, 2013. The second issuance is payable semiannually in arrears on May 10 and November 10 of each year, commencing on May 10, 2014.

Second Issue Price: 104.50%

Second Issue Date: April 8, 2014

Maturity Date: The Senior Notes will mature on May 10, 2020.

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<u>Issuing entities</u>	<u>Original currency</u>	<u>Total placed in original currency</u>	<u>Balance as of</u>	
			<u>December 31, 2019</u>	<u>December 31, 2018</u>
Avianca Holdings S.A.	USD	484,419	\$ 465,612	—
Issuers:	Avianca Holdings S.A.			
Guarantors:	Avianca Costa Rica, S.A., Avianca Perú S.A., and Taca International Airlines, S.A. fully and unconditionally guarantee the total Notes. Aerovías del Continente Americano – Avianca, S.A. unconditionally guarantee the obligations of Avianca Leasing, LLC under the Senior Notes in an amount equal to \$367 million.			
Pending bonds	\$484,419 aggregate capital amount of 9.00% Senior Bonds payable in 2023			
Initial Issue Date:	December 31, 2019			
Issue Amount:	\$484,419			
Interest:	The Senior Notes will bear interest at a fixed rate of 9.00% per year. The first issuance is payable semiannually in arrears on May 10 and November 10 of each year, commencing on November 10. Interest will accrue from May 10, 2020. The interest are accumulated from December 31, 2019			
Transaction costs	The transaction costs associated with this new bond issue were \$18,807, which are presented as a lower value of the initial carry amounts.			
Maturity Date:	The Senior Notes will mature on May 10, 2023			

Local bonds

As of December 31, 2019, and 2018, bonds issued and the corresponding balances are as follows:

<u>Issuing entity</u>	<u>Issue</u>	<u>Total placed in original currency (1)</u>	<u>Balance as of</u>			
			<u>December 31, 2019</u>		<u>December 31, 2018</u>	
			<u>Denominated currency (1)</u>	<u>In US Dollars</u>	<u>Denominated currency (1)</u>	<u>In US Dollars</u>
Avianca	Series A	75,000	—	—	—	—
Avianca	Series B	158,630	—	—	—	—
Avianca	Series C	266,370	—	—	90,566	28,147
Total					\$ —	\$28,147

(1) Presentation of denominated currency in millions of Colombian pesos

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On August 25, 2009 a bond issue was completed on the Colombian stock exchange, which was collateralized by Credibanco and Visa credit cards ticket sales in Colombia.

On August 26, 2019, these bonds were redeemed for \$23,207.

The specific conditions of the 2009 bond issue in Colombia are as follows:

Representative of bondholders: Helm Trust, S.A.

Amount of issue: \$500,000 million Colombian Pesos

Managing agent: Fiduciaria Bogota, S.A.

Series: Series A: Authorized issue \$100,000 million Colombian Pesos

Series B: Authorized issue \$200,000 million Colombian Pesos

Series C: Authorized issue \$300,000 million Colombian Pesos

Coupon: Series A: Indexed to Colombian consumer price index

Series B: Indexed to Colombian consumer price index

Series C: Indexed to Colombian consumer price index

Interest is payable at quarter-end

Term: Series A: 5 years

Series B: 7 years

Series C: 10 years

Repayment of capital: Series A: At the end of 5 years

Series B: 50% after 6 years and 50% after 7 years

Series C: 33% after 8 years, 33% after 9 years and 34% after 10 years

Future payments on long-term debt

The following future payments including interests on long-term debt for the periods ended December 31, 2019 and 2018.

The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

Aircraft and corporate debt

	Years					
	One	Two	Three	Four	Five and thereafter	Total
December 31, 2019	\$554,021	\$540,615	\$853,756	\$612,874	\$1,078,742	\$3,640,008
December 31, 2018	\$469,500	\$457,737	\$529,125	\$608,026	\$1,236,034	\$3,300,422

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Bonds

	Years					Total
	One	Two	Three	Four	Five and thereafter	
December 31, 2019	<u>\$105,022</u>	<u>\$ 43,598</u>	<u>\$43,598</u>	<u>\$506,218</u>	<u>\$ —</u>	<u>\$698,436</u>
December 31, 2018	<u>\$ 37,376</u>	<u>\$549,916</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$587,292</u>

Aircraft rights of use

	Years					Total
	One	Two	Three	Four	Five and thereafter	
December 31, 2019	<u>\$256,192</u>	<u>\$238,618</u>	<u>\$226,537</u>	<u>\$198,880</u>	<u>\$323,329</u>	<u>\$1,243,556</u>

Other rights of use

	Years					Total
	One	Two	Three	Four	Five and thereafter	
December 31, 2019	<u>\$8,318</u>	<u>\$8,141</u>	<u>\$7,557</u>	<u>\$7,487</u>	<u>\$ 46,812</u>	<u>\$78,315</u>

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Changes in liabilities derived from financing activities at December 31, 2019

	January 1, 2019	Adoption IFRS 16	New acquisitions (2)	New Leases (1)	Financial Cost	Payments	Interest Payments	Foreign exchange movement / Others	Reclassification (3)	December 31, 2019
Current interest-bearing loans and borrowings (excluding items listed below)	\$ 119,866	\$ —	\$ 26,717	\$ —	\$ 7,563	\$ (27,833)	\$ (7,207)	\$ (969)	\$ —	\$ 118,137
Current portion of long-term credits (excluding items listed below)	469,500	—	144,783	—	155,444	(378,893)	(162,096)	(6,976)	229,393	451,155
Current Bonds	587,292	—	—	—	47,112	(26,820)	(53,866)	(3,667)	(484,419)	65,632
Non-current bonds	—	—	465,612	—	—	—	—	—	—	465,612
Non-current portion of long term debt	2,830,922	—	454,055	—				(7,869)	(719,851)	2,557,257
Aircraft rentals – right of use	—	1,010,200	—	313,001	49,081	(194,676)	(49,081)	—	—	1,128,525
Other rentals – right of use	—	69,533	—	9,144	2,804	(9,518)	(2,804)	846	—	70,005
Total liabilities from financing activities	\$4,007,580	\$1,079,733	\$1,091,167	\$322,145	\$262,004	\$ (637,740)	\$ (275,054)	\$ (18,635)	\$ (974,877)	\$ 4,856,323

- (1) Goods and equipment acquired during the period under finance and operative lease; these movements have no effect on the consolidated statement of cash flows.
- (2) The value indicated in the cash flow is \$616,555, the difference of \$465,612 corresponds to the value of the bonds exchanged (\$484,419) in December 2019 less transaction costs (\$18,807) and \$9,000 corresponds to a loan acquired by Aerounion for the acquisition of the Airbus A330 aircraft with Scotiabank Bank, a movement that is not shown because it is related to property and equipment.
- (3) A reclassification of long-term short-term debt of \$34,407 has been made for purposes of non-compliance in some terms and conditions of our debts, which are currently being negotiated. Likewise, \$490,458 was reclassified corresponding to debt associated with assets that are available for sale. Additionally, the decrease in the debt of the initial bonds that were exchanged for \$484,419 in December 2019.

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Changes in liabilities derived from financing activities at December 31, 2018

	<u>January 1, 2018</u>	<u>New acquisitions</u>	<u>New Leases (1)</u>	<u>Financial Cost (2)</u>	<u>Payments</u>	<u>Interest Payments</u>	<u>Foreign exchange movement</u>	<u>December 31, 2018</u>
Current interest-bearing loans and borrowings (excluding items listed below)	\$ 79,263	\$ 68,866	\$ —	\$ 5,556	\$ (27,691)	\$ (4,572)	\$ (1,556)	\$ 119,866
Current portion of long-term credits (excluding items listed below)	463,351	—	—	141,337	(103,630)	(56,650)	25,092	469,500
Current Bonds	29,458	—	—	57,940	—	(51,044)	1,022	37,376
Non-current obligations under financial lease agreements and purchase agreements	2,600,450	234,774	427,751	23,063	(324,748)	(96,443)	(33,925)	2,830,922
Bonds	579,591	—	—	5,416	(27,404)	—	(7,687)	549,916
Total liabilities from financing activities	<u>\$3,752,113</u>	<u>\$ 303,640</u>	<u>\$427,751</u>	<u>\$233,312</u>	<u>\$ (483,473)</u>	<u>\$ (208,709)</u>	<u>\$ (17,054)</u>	<u>\$ 4,007,580</u>

(1) Goods and equipment acquired during the period under finance lease; these movements have no effect on the statement of cash flows.

(2) This column contains the value of the pending interest for the year ended to 2018 for \$212,294 and the initial balance of interest payable related to the financial obligations of \$21,018. In the year 2017 the interest caused was \$183,332 and these were presented as accounts payable.

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(17) Accounts payable

Accounts payable as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade accounts payable	\$ 302,414	\$ 445,299
Taxes no related to rent (1)	210,330	203,915
Social Charges (2)	327	2,000
Other payables (3)	17,544	13,058
Total	\$ 530,615	\$ 664,272
Trade accounts payable	2,112	4,276
Social Charges (2)	2,190	2,851
Other payables (3)	7,629	—
Total	\$ 11,931	\$ 7,127

(1) The variation corresponds to taxes and fees charged to passengers that will be paid to the government authority such as airport taxes, departure and entry taxes to countries, etc. In addition to VAT and VAT withholding payable.

(2) Represent payroll taxes and contributions based on salaries and compensation paid to employees of the Group in the various jurisdictions in which it operates.

(3) The other accounts payable mainly include provisions for travel expenses, provisions for fees and accrued interest. As well as projects related to aircraft that are in the long term.

(18) Accrued expenses

Accrued expenses as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Operating expenses (1)	\$ 82,117	\$ 105,655
Other accrued expenses (2)	5,493	3,057
Total	\$ 87,610	\$ 108,712

(1) Corresponds mainly costs for landings, credit card commissions, air navigation, ground services and passenger services.

(2) Other accrued expenses include transport, freight and haulage, public services and maintenance.

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(19) Provisions for return conditions

For certain operating leases, the Group is contractually obligated to return the aircraft in a predefined condition. The Group accrues for restitution costs related to aircraft held under operating leases at the time the asset does not meet the return conditions criteria and throughout the remaining duration of the lease.

Provisions for return conditions as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current	\$ 21,963	\$ 2,475
Non – current	122,425	127,685
Total	<u>\$ 144,388</u>	<u>\$ 130,160</u>

Changes in provisions for return conditions as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Balances at beginning of year	\$ 130,160	\$ 163,192
Provisions made	65,671	43,705
Provisions reverse (1)	(49,557)	(70,797)
Provisions used	(1,886)	(5,940)
Balances at end of year	<u>\$ 144,388</u>	<u>\$ 130,160</u>

(1) In 2019 provisions for return conditions, there are an increase in maintenance reserves, mainly explained by changes in the schedule of maintenance visits, incorporation of aircraft and start of provision of spare engines, update of the present value of the provision and extensions of contracts.

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(20) Employee benefits

Employee benefits as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Defined benefit plan	\$ 156,732	\$ 144,862
Other benefits short term	105,792	89,567
Other benefits long term	4,491	803
Total	\$ 267,015	\$ 235,232
Current	\$ 148,678	\$ 125,147
Non – current	118,337	110,085
Total	\$ 267,015	\$ 235,232

The Group has a defined benefit plan which requires contributions to be made to separately administered funds. The Group has also agreed to provide post-employment benefits to its retirees that consist primarily of medical benefit plans as well as certain other benefits, including scholarships, tickets, seniority and retirement. These other benefits are unfunded.

Accounting for pensions and other post-employment benefits involves estimating the benefit cost to be provided well into the future and attributing that cost over the time period in which each employee works for the Group. This requires the use of extensive estimates and assumptions about inflation, investment returns, mortality rates, turnover rates, medical cost trends and discount rates, among other information. The Group has two distinct pension plans, one for pilots and the other for ground personnel. Both plans have been closed to new participants, and therefore there are a fixed number of beneficiaries covered under these plans as of December 31, 2019 and 2018.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fair value of plan assets	\$ (204,527)	\$ (178,594)
Present value of the obligation	361,259	323,456
Total employee benefit liability	\$ 156,732	\$ 144,862

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The following table summarizes the components of net benefit expense recognized in the consolidated statement of comprehensive income and the funded status and amounts recognized in the consolidated statement of financial position for the respective plans:

Net benefit expense – year ended December 31, 2019 (recognized in Salaries, wages and benefits)	Defined benefit plan	Other benefits
Current service cost	\$ 1,152	\$ 1,359
Interest cost on net benefit obligation	16,376	3,780
Interest income on plan assets	(12,827)	—
Net Cost	\$ 4,701	\$ 5,139
Net benefit expense – year ended December 31, 2018 (recognized in Salaries, wages and benefits)	Defined benefit plan	Other benefits
Current service cost	\$ 1,094	\$ 2,353
Interest cost on net benefit obligation	17,375	3,706
Interest income on plan assets	(11,699)	—
Net Cost	\$ 6,770	\$ 6,059

Changes in the present value of defined benefit obligation as of December 31, 2019 are as follows:

	Defined benefit Obligation	Other benefits	Total
Benefit obligation as of December 31, 2018	\$ 268,486	\$ 54,970	\$ 323,456
Period cost	17,528	5,139	22,667
Benefits paid by employer	(27,726)	(5,190)	(32,916)
Remeasurements of defined benefit liability	42,048	7,878	49,926
Exchange differences	(48)	(1,826)	(1,874)
Benefit obligation as of December 31, 2019	300,288	60,971	361,259
Fair value of plan assets	(204,527)	—	(204,527)
Total employee benefit liability	\$ 95,761	\$ 60,971	\$ 156,732
Current	\$ 39,539	\$ 3,346	\$ 42,885
Non-current	56,222	57,625	113,847
Total	\$ 95,761	\$ 60,971	\$ 156,732

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

	Defined benefit plan
Fair value of plan assets at December 31, 2018	\$ 178,594
Interest income on plan assets	12,827
Remeasurement of interest assumptions	7,385
Employer contributions	34,083
Benefits paid	(25,509)
Exchange differences	(2,853)
Fair value of plan assets at December 31, 2019	\$ 204,527

Changes in the present value of defined benefit obligation as of December 31, 2018 are as follows:

	Defined benefit Obligation	Other benefits	Total
Benefit obligation as of December 31, 2017	\$ 300,773	\$ 63,270	\$ 364,043
Period cost	18,469	6,059	24,528
Benefits paid by employer	(29,879)	(3,188)	(33,067)
Remeasurements of defined benefit liability	850	(6,172)	(5,322)
Other current	—	(342)	(342)
Exchange differences	(21,727)	(4,657)	(26,384)
Benefit obligation as of December 31, 2018	268,486	54,970	323,456
Fair value of plan assets	(178,594)	—	(178,594)
Total employee benefit liability	\$ 89,892	\$ 54,970	\$ 144,862
Current	32,205	3,374	35,579
Non-current	57,687	51,596	109,283
Total	\$ 89,892	\$ 54,970	\$ 144,862

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

	<u>Defined benefit plan</u>
Fair value of assets at December 31, 2017	\$ 189,697
Interest income on plan assets	11,699
Remeasurement of interest assumptions	(14,361)
Employer contributions	31,871
Benefits paid	(26,268)
Exchange differences	(14,044)
Fair value of plan assets at December 31, 2018	<u>\$ 178,594</u>

For the year ended December 31, 2019, 2018 and 2017, the remeasurements of defined benefit plan liability, net of \$(42,541), \$(9,039) and \$(33,385) respectively were recognized in other comprehensive income.

	December 31, 2019	December 31, 2018	December 31, 2017
Actuarial gains (losses) recognized in other comprehensive income	\$ (49,926)	\$ 5,322	\$ (38,205)
Return on plan assets adjustment	7,385	(14,361)	4,672
Adjustments for translation	—	—	148
Losses recognized in other comprehensive income	<u>\$ (42,541)</u>	<u>\$ (9,039)</u>	<u>\$ (33,385)</u>

The Group expects to contribute \$38,706 to its defined benefit plan and other benefits in 2019.

Plan assets correspond to net funds transferred to CAXDAC, which is responsible for the administration of the pilots' pension plan. The assets held by CAXDAC are segregated into separate accounts corresponding to each contributing Group. Additionally, the plan assets included a portion relating to pension plan of ground personnel.

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The principal assumptions (inflation-adjusted) that are used in determining pension and post-employment medical benefit obligations for the Group's plans are shown below:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate on all plans	6.25%	7.25%
Price inflation	3.00%	3.00%
Future salary increases		
Pilots	4.00%	4.00%
Cabin crew	4.00%	4.00%
Other employees	4.00%	4.00%
Future pension increase	3.00%	3.18%
Healthcare cost increase	4.50%	4.50%
Ticket cost increase	3.00%	3.00%
Education cost increase	3.00%	3.00%

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity securities	31.00%	31.00%
Debt securities	18.00%	21.00%
Domestic Corporate bonds	44.00%	32.00%
Foreign government/corporate bonds	1.00%	10.00%
Other	6.00%	6.00%

Equity securities comprise investments in Colombian entities with a credit rating between AAA and BBB. The debt securities include investments in bonds of the Colombian government, in banks and in Colombian public and private entities. Domestic corporate bonds include bonds issued by private companies and Foreign Government Corporate Bonds include Yankee bonds and bonds issued by financial and private entities abroad.

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

	December 31, 2019	December 31, 2018
Year 1	\$ 34,655	\$ 26,773
Year 2	21,413	24,798
Year 3	21,868	24,309
Year 4	22,537	24,781
Year 5	23,288	25,626
Next 5 years	117,918	132,969
	<u>\$ 241,679</u>	<u>\$ 259,256</u>

The average duration of the benefit plan obligation at December 31, 2019 and 2018 are 11.35 and 10.79, years, respectively.

Pension plans for ground personnel

In 2008, the Group 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 31, 2019, and 2018, there are 12 beneficiaries, which have not been commuted. Consequently, the Group estimates through an actuarial calculation the pension liability of these beneficiaries.

Pension plans for flight personnel

Due to local regulations for two of the Group's pension plans, the Group has to make contributions to a fund which is externally administrated. The amount of the annual contribution is based on the following:

- Basic contribution for the year: equal to the expected annual pension payments.
- Additional contribution for the year (if necessary): equal to the necessary amount to match the actuarial liability under local accounting rules and the plan assets as of year 2023 (determined with an actuarial calculation).

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The calculation of the defined benefit obligation is sensitive to the aforementioned assumptions. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions:

	<u>0.5% increase</u>	<u>0.5% decrease</u>
Discount rate	(19,352)	21,358
Pension increase	16,738	(15,276)
Mortality table	6,295	(6,380)

Other employee benefits

In the year 2018, the Group implemented a new incentive plan denominated options of shares: Avianca Holdings.

Annually, the beneficiaries of the plan will receive a package of virtual shares to which they can be made creditors at the end of the period, as long as the financial and customer satisfaction goals of the business plan are met.

Once the goal board is closed, and at the end of the period, the number of virtual shares the beneficiary takes can go from 0% to 200%, depending on the performance of long-term indicators. These indicators are measured in the short term (1 year), but their payment is long term, which will be deferred in 3 payments as long as there is employment linkage at the time of payment.

The beneficiaries of the plan are those positions of Vice President and Director level, in addition all those persons who are defined as high potential and / or who hold critical positions which must be approved by the CEO.

Each year a new package of virtual shares will be settled, which according to the performance of the period will be delivered in thirds during the following three years. The value to be paid for each third will be the result of calculating the number of virtual shares to be paid, multiplied by the value of the Avianca Holdings S.A. share, in NYC for the period. The payment will be made in the base country of work of the beneficiary, the value will be subject to the deductions of taxes that correspond to each country at the time of payment.

Based on the aforementioned assumptions, the Group recorded a liability of \$2,619 and \$1,312 on December 31, 2019 and 2018 which is considered within the other long-term employee benefits as a non-current liability in the consolidated statement of financial position.

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(21) Air traffic liability and frequent flyer deferred revenue

The air traffic liability comprises the proceeds from the unused air ticket or the revenues corresponding to the unused portion of a ticket sold. This income also includes the deferred income from the loyalty programs. The Group periodically evaluates this liability and any significant adjustment is recorded in the consolidated statements of comprehensive income. These adjustments are mainly due to differences between actual events and circumstances

such as historical sales rates and customer travel patterns that may result in refunds, changes or expiration of tickets that change substantially from the estimates (see note 3(e)).

The balance as of December 31, 2019 and 2018 is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Air traffic liability	\$ 337,363	\$ 424,579
Miles deferred revenue	187,931	186,378
Current	<u>\$ 525,294</u>	<u>\$ 610,957</u>
Miles deferred revenue	\$ 229,701	\$ 234,260
Non-current	<u>\$ 229,701</u>	<u>\$ 234,260</u>

(22) Other Liabilities

The other liabilities as of December 31, 2019 and 2018 are as follows:

	Notes	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Derivative instruments	27,28	\$ 1,289	\$ (129)
Deferred Revenue		55,256	71,649
Other		14	587
Total		<u>\$ 56,559</u>	<u>\$ 72,107</u>
Current		\$ 5,110	\$ 3,861
Non-current		51,449	68,246
Total		<u>\$ 56,559</u>	<u>\$ 72,107</u>

(1) Corresponds mainly to deferred profits from sales and subsequent leases prior to January 1, 2019 which, prior to the implementation of IFRS 16, were deferred during the term of the financial lease contract.

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On November 5, 2013 “The Company issued 12,500,000 American Depository Shares (ADS)” and each represented eight preferred shares. The net income derived from this offer amounts to \$183,553 million (net of deduction of emission costs for \$3,956), the preferred shares do not have the right to vote nor can they become common shares, the holders of the preferred shares and ADSs will be entitled to receive a minimum dividend to be paid with preference over the holders of the common shares, provided that the dividends have been declared by our shareholders at the annual meeting, If no dividends are declared, none of our shareholders will be entitled to dividends, If the dividends are declared and our annual distributable earnings are sufficient to pay a dividend of at least COP\$50 per share to all of our holders of preferred and ordinary shares, such benefits will be paid equally with respect to our preferred and ordinary shares, however, if our earnings Annual distributions are insufficient to pay a dividend of at least COP\$50 per share to all our holders of preferred and ordinary shares, a minimum preferred dividend of COP\$50 per share will be distributed in proportion to the holders of preferred shares, and any excess over said minimum preferred dividend will be distributed exclusively to holders of ordinary shares.

In relation to this offer, common shareholders (“selling shareholders”) converted 75,599,997 common shares to preferred shares representing 14,734,910 ADS. As a result, the number of common shares was reduced to 665,800,003 and the number of preferred shares increased by 75,599,997 for a total of 331,187,285 preferred shares. The Company did not receive any part of the net income from the sale of the ADS by the selling shareholders.

As of December 31, 2013, “the Company acquired 197,141 of its current preferred shares” consequently, current preferred shares decreased by \$25 and the additional capital paid in preferred shares was reduced by \$452.

On November 28, 2014, common shareholders (“selling shareholders”) converted 5,000,000 ordinary shares to preferred shares, as a consequence, the number of common shares was reduced to 660,800,003 and the number of preferred shares increased by 5,000,000 to 336,187,285 preferred shares.

The following is a summary of authorized, issued and paid shares:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Authorized shares	4,000,000,000	4,000,000,000
Common shares issued and paid	660,800,003	660,800,003
Preferred shares issued and paid	336,187,285	336,187,285

The nominal value per share is \$0.12 Expressed in cents.

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Other Comprehensive Income (“OCI”) Reserves

The movement of the other comprehensive income as of December 31, 2018, to December 31, 2019, is as follows:

	Attributable to owners of the Company									Total	NCI	Total OCI			
	Income tax reserves relating to (4)														
	Hedging reserves (1)	Fair value reserves (2)	Reserves relating to actuarial gains and losses (3)	Fair value reserves	Reserves relating to actuarial gains and losses	Revaluation of administrative property (5)									
As of December 31, 2018	\$ (7,194)	\$ (748)	\$ (74,177)	\$ 3	\$ 86	\$ 37,934	\$ (44,096)	\$ 194	\$ (43,902)						
Other comprehensive Income (loss) for the Period	4,096	1,205	(42,527)	—	441	2,761	(34,024)	(178)	(34,202)						
As of December 31, 2019	\$ (3,098)	\$ 457	\$ (116,704)	\$ 3	\$ 527	\$ 40,695	\$ (78,120)	\$ 16	\$ (78,104)						

The movement of the other comprehensive income as of December 31 2017, to December 31, 2018, is as follows:

	Attributable to owners of the Company									Total	NCI	Total OCI			
	Income tax reserves relating to (4)														
	Hedging reserves (1)	Fair value reserves (2)	Reserves relating to actuarial gains and losses (3)	Fair value reserves	Reserves relating to actuarial gains and losses	Revaluation of administrative property (5)									
As of December 31, 2017	\$ 6,507	\$ (681)	\$ (65,138)	\$ 3	\$ 125	\$ 58,382	\$ (802)	\$ 455	\$ (347)						
Other comprehensive Income (loss) for the Period	(13,701)	(67)	(9,039)	—	(39)	(20,448)	(43,294)	(261)	(43,555)						
As of December 31, 2018	\$ (7,194)	\$ (748)	\$ (74,177)	\$ 3	\$ 86	\$ 37,934	\$ (44,096)	\$ 194	\$ (43,902)						

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(1) Hedging Reserves

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows (See note 27).

(2) Fair value reserves

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired.

(3) Reserve relating to actuarial gains and losses

It comprises actuarial gains or losses on defined benefit plans and post-retirement medical benefits recognized in other comprehensive income.

(4) Income tax on other comprehensive income

Whenever an item of other comprehensive income gives rise to a temporary difference, a deferred income tax asset or liability is recognized directly in other comprehensive income

(5) Revaluation of administrative property

Revaluation of administrative property is related to the revaluation of administrative buildings and property in Colombia, Costa Rica, and El Salvador. The revaluation reserve is adjusted for increases or decreases in fair values of such property.

The following provides an analysis of items presented net in the statement of consolidated statement of comprehensive income which have been subject to reclassification, without considering items remaining in OCI which are never reclassified to profit or loss:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash flow hedges:		
Reclassification during the year to profit or loss	\$ (4,481)	\$ (17,179)
Effective valuation of cash flow hedged	<u>8,413</u>	<u>3,478</u>
	<u>\$ 3,932</u>	<u>\$ (13,701)</u>
Fair value reserves:		
Valuations of investments in fair value with changes in OCI	\$ 1,205	\$ (67)
	<u>\$ 1,205</u>	<u>\$ (67)</u>

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(24) Non-controlling interest

The information related to each of the subsidiaries of the Group that has material NCI as of December 31, 2019 and 2018 is summarized below:

	LifeMiles Ltd.	Taca International Airlines S.A.	Avianca Costa Rica S.A.	Other individually intangible subsidiaries.	Total
Percentage non-controlling interest	30.00%	3.17%	7.58%		
Current assets	\$ 52,807	\$ 30,762	\$ 28,747	\$ 7,274	\$ 119,590
Non-current assets	20,168	14,113	5,470	5,345	45,096
Current liabilities	(94,047)	(18,421)	(34,584)	(5,492)	(152,544)
Non-current liabilities	(172,582)	(37,848)	(806)	(3,072)	(214,308)
Net assets	(193,654)	(11,394)	(1,173)	4,055	(202,166)
Net profit (loss)	26,829	(3,524)	(4,066)	478	19,717
Other comprehensive income	\$ (163)	\$ 7	\$ (25)	\$ 3	\$ (178)
	LifeMiles Ltd.	Taca International Airlines S.A.	Aerotaxis la Costeña S.A.	TurboProp Leasing Corp.	Avianca Costa Rica S.A.
Percentage non-controlling interest	30.00%	3.17%	31.92%	32.00%	7.58%
Current assets	\$ 50,344	\$ 28,269	\$ 2,597	\$ 4,155	\$ 25,818
Non-current assets	24,337	8,932	687	7,615	5,444
Current liabilities	(98,034)	(18,861)	(1,268)	(2,658)	(27,515)
Non-current liabilities	(160,816)	(26,210)	—	(3,995)	(827)
Net assets	(184,169)	(7,870)	2,016	5,117	2,920
(Loss) gain	24,321	(3,684)	(499)	1,283	841
Other full benefits	\$ (94)	\$ (158)	\$ —	—	\$ (9)
					\$ (261)

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(25) (Losses) / earnings per share

The calculation of basic (losses)/ earnings per share at December 31, 2019, 2018 and 2017 is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Net (losses) / earnings attributable to Avianca Holdings S.A,	<u><u>\$ (913,712)</u></u>	<u><u>\$ (24,803)</u></u>	<u><u>\$ 48,237</u></u>
Weighted average number of shares			
<i>(in thousands of shares)</i>			
Common stock	660,800	660,800	660,800
Preferred stock	336,187	336,187	336,187
(Losses) / earnings per share (1)			
Common stock	\$ (0.92)	\$ (0.03)	\$ 0.05
Preferred stock	\$ (0.92)	\$ (0.03)	\$ 0.05

(1) Expressed in dollars.

There are no interests in convertible preferred shares.

(26) Operating revenue

The Group had no major customers which represented more than 10% of revenues in 2019 and 2018. The Group tracks its segmented gross revenue information by type of service provided and by region, as follows:

By type of service provided

	Year ended December 31, 2019	Percentage	Year ended December 31, 2018	Percentage	Year on Year Variation
Domestic					
Passenger	\$ 2,000,222	43%	\$ 2,001,825	41%	(1,603)
Cargo and mail	<u>285,802</u>	<u>6%</u>	<u>303,343</u>	<u>6%</u>	<u>(17,541)</u>
	<u>2,286,024</u>	<u>49%</u>	<u>2,305,168</u>	<u>47%</u>	<u>(19,144)</u>
International					
Passenger	1,904,542	41%	2,072,566	42%	(168,024)
Cargo and mail	<u>282,576</u>	<u>6%</u>	<u>315,433</u>	<u>7%</u>	<u>(32,857)</u>
	<u>2,187,118</u>	<u>47%</u>	<u>2,387,999</u>	<u>49%</u>	<u>(200,881)</u>
Other (1)	148,354	4%	197,663	4%	(49,309)
Total operating revenues	<u><u>\$ 4,621,496</u></u>	<u><u>100%</u></u>	<u><u>\$ 4,890,830</u></u>	<u><u>100%</u></u>	<u><u>(269,334)</u></u>

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	Year ended December 31, 2018	Percentage	Year ended December 31, 2017	Percentage	Year on Year Variation
Domestic					
Passenger	\$ 2,001,825	41%	\$ 1,900,627	42%	101,198
Cargo and mail	303,343	6%	279,666	6%	23,677
	<u>2,305,168</u>	<u>47%</u>	<u>2,180,293</u>	<u>48%</u>	<u>124,875</u>
International					
Passenger	2,072,566	42%	1,649,533	37%	423,033
Cargo and mail	315,433	7%	271,313	6%	44,120
	<u>2,387,999</u>	<u>49%</u>	<u>1,920,846</u>	<u>43%</u>	<u>467,153</u>
Other (1)	197,663	4%	340,545	9%	(142,882)
Total operating revenues	<u>\$ 4,890,830</u>	<u>100%</u>	<u>\$ 4,441,684</u>	<u>100%</u>	<u>449,146</u>

Other operating income

Other operating revenue for the years ended December 31, 2019, 2018 and 2017 is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Frequent flyer program	\$ 40,794	\$ 46,376	\$ 178,841
Ground operations (a)	18,448	23,592	20,172
Leases	11,590	22,610	22,232
Maintenance	8,162	58,032	11,639
Interline	2,087	2,025	1,900
Other (b)	67,273	45,028	105,761
	<u>\$ 148,354</u>	<u>\$ 197,663</u>	<u>\$ 340,545</u>

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

(b) Corresponds mainly to income from penalties, access to VIP rooms and additional services.

Contract balances

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

	Notes	December 31, 2019	December 31, 2018
Net of accounts receivable	8	\$ 215,673	\$ 245,756
Prepaid compensation customers	11	13,768	37,130
Air traffic responsibility	21	(337,363)	(424,579)
Deferred frequent flyer income	21	\$ (417,632)	\$ (420,638)

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(27) Derivatives recognized as hedging instruments

Financial instruments recognized as hedging instruments at fair value through other comprehensive income as of December 31, 2019 and December 31, 2018, are the following:

	<u>Note</u>	December 31, 2019	December 31, 2018
Cash flow hedges – assets			
Fuel price	12	\$ 525	\$ 2,566
Interest rate	12	11	4,890
Total		\$ 536	\$ 7,456
Cash flow hedges - liabilities			
Interest rate	22	\$ 1,241	\$ —
Total		\$ 1,241	\$ —

The notional value of derivatives recognized as hedging instruments for the year ended December 31, 2019 and 2018 is equivalent to 6,792,000 and 92,560,000, respectively, gallons of jet fuel for aircraft.

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

Cash flow hedges liabilities are recognized within other liabilities in the consolidated statement of financial position.

The Group purchases jet fuel on an ongoing basis as its operating activities require a continuous supply of this commodity. The increased volatility in jet fuel prices has led the Group to the decision to enter into commodity contracts. These contracts are expected to reduce the volatility attributable to fluctuations in jet fuel prices for highly probable forecast jet fuel purchases, in accordance with the risk management strategy outlined by the Board of Directors. The contracts are intended to hedge the volatility of the jet fuel prices for a period between three and twelve months based on existing purchase agreements.

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The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur, and the fair values of the related hedging instruments to December 31, 2019 and December 31, 2018:

December 31, 2019	Fair Value	1–12 months	12–24 months
Fuel price			
Assets	\$ 525	\$ 525	\$ —
Interest rate			
Assets	11	—	11
Liabilities	\$ 1,241	\$ —	\$ 1,241

December 31, 2018	Fair Value	1–12 months	12–24 months
Fuel price			
Assets	\$ 2,566	\$ 2,566	\$ —
Interest rate			
Assets	\$ 4,890	\$ 112	\$ 4,778

The terms of the cash flow hedging contracts have been negotiated for the expected highly probable forecast transactions to which hedge accounting has been applied. As of December 31, 2019, 2018 and 2017, a net (loss)/gain relating to the hedging instruments of \$3,932, \$(13,701) and \$6,385 respectively is included in other comprehensive income (see note 23).

(28) Derivative financial instruments

Derivative financial instruments at fair value through profit or loss as of December 31, 2019 and December 31, 2018 are the following:

	Notes	December 31, 2019	December 31, 2018
Derivatives not designated as hedges – liabilities			
Derivative contracts of interest rate	22	\$ 48	\$ (17)
Total		\$ 48	\$ (17)

Financial instruments to fair value financial instruments to fair value without effect in other comprehensive income are derivative contracts not designated as hedges instruments for accounting purposes that are intended to reduce the levels of risk of foreign currency and interest rates.

Liabilities on derivatives not designated as hedges are recognized within other liabilities in the consolidated statement of financial position.

Foreign currency risk

Certain foreign currency forward contracts are measured at fair value through profit or loss and are not designated as hedging instruments for accounting purposes. The foreign currency forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign currency forward rates.

Interest rate risk

The Group incurs interest rate risk primarily on financial obligations to banks and aircraft lessors. Certain financial derivative instruments are recognized at fair value through profit or loss and are not designated as hedging instruments for accounting purposes. The interest rate contracts vary according to the level of expected interest payable and changes in interest rates of financial obligations. Interest rate risk is managed through a mix of fixed and floating rates on loans and lease agreements, combined with interest rate swaps and options. Under these agreements, the Group pays a fixed rate and receives a variable rate.

(29) Offsetting of Financial Instruments

The Group has derivative instruments that could meet the offsetting criteria in paragraph 42 of IAS 32 given that the Group has signed with its counterparties enforceable master netting arrangements. Consequently, when derivatives signed with the same counterparty and for the same type of notional result in gross assets and liabilities, the positions are set off resulting in the presentation of a net derivative. As of December 31, 2019, and 2018, the Group has not set off derivative instruments because it has not had gross assets and liabilities with the same counterparty for the same type of notional.

(30) Fair value measurements

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2019:

Quantitative disclosures of fair value measurement hierarchy for assets:

<u>Assets measured at fair value</u>	Fair value measurement using				Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Derivative financial assets (note 27 and 28)					
Aircraft fuel hedges	\$ —	\$ 525	\$ —	\$ 525	
Interest rate derivatives	—	11	—	11	
Investments	—	55,440	—	55,440	
Assets of the benefits plan	—	204,527	—	204,527	
Assets held for sale (1)	—	694,336	—	694,336	
Revalued administrative property (note 13)	\$ —	\$ —	\$ 111,112	\$ 111,112	

(1) Represents the fair value of assets held for sale excluding costs to sell.

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Quantitative disclosures of fair value measurement hierarchy for liabilities:

	Quoted prices in active markets (Level 1)	Fair value measurement using			Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Liabilities measured at fair value					
Interest rate derivatives (notes 27 and 28)	\$ —	\$ 1,289	\$ —	\$ 1,289	
Liabilities for which fair values are disclosed					
Short-term borrowings and long-term debt	\$ —	\$ 5,454,688	\$ —	\$ 5,454,688	

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2018:

Quantitative disclosures of fair value measurement hierarchy for assets:

	Quoted prices in active markets (Level 1)	Fair value measurement using			Total
		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value					
Derivative financial assets (note 27 and 28)					
Aircraft fuel hedges	\$ —	\$ 2,566	\$ —	\$ 2,566	
Interest rate derivatives	—	4,890	—	4,890	
Investments	—	67,306	—	67,306	
Assets plan	—	178,594	—	178,594	
Revalued administrative property (note 13)	\$ —	\$ —	\$ 125,049	\$ 125,049	

Quantitative disclosures of fair value measurement hierarchy for liabilities:

	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Fair value measurement using</u>
Liabilities measured at fair value				
Foreign currency derivatives (note 27 and 28)	\$ —	\$ (17)	\$ —	\$ (17)
Liabilities for which fair values are disclosed				
Short-term borrowings and long-term debt	\$ —	\$ 4,022,707	\$ —	\$ 4,022,707

Fair values hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1 Observable inputs such as quoted prices in active markets

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

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

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

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

- (a) The fair value of financial assets which changes in OCI is determined by reference to the present value of future principal and interest cash flows, discounted at a market based on interest rate at the reporting date.
- (b) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate contracts, foreign currency forward contracts and commodity contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign currency spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.
- (c) The fair value of short-term borrowings and long-term debt, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at a market-based interest rate at the reporting date. For finance leases, the market rate is determined by reference to similar lease agreements.

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

Level 3 Fair value

The fair value measurements for our administrative property have been categorized as reasonable level 3 values based on the contributions to the valuation techniques used.

The following table shows a breakdown of the total recognized gains (losses) with respect to the fair values of level 3 (administrative property):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Profit included in OCI		
Change in fair value (not realized)	\$ 2,761	\$ (20,448)
Change in fair value (realized)	—	—
Total gains (loss) included in OCI	<u>\$ 2,761</u>	<u>\$ (20,448)</u>

Valuation technique and significant unobservable entries

The company reevaluates its administrative property related to buildings and land every 3 years by country, for 2018 the administrative property located in Colombia appraised, for 2019 the administrative property located in El Salvador was appraised.

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

Country	Valuation technique	Significant unobservable entries
El Salvador	The criteria for valuing the assets object of this offer was 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.	Consumer price index (2019: 111.09)
Year: 2019		Rental yields (2019: 8.49%)
		Square meter prices (2019: \$1,193)
		Property purchase costs (2019: 9.21%)
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: (2018: 1% -2%)
Year: 2018		Employment rate (2018: weighted average of 87%)
		Construction GDP (2018: weighted average of 1%).
		Appreciation or depreciation of the Colombian peso against the US dollar 2018: (8.91%).

(31) Income tax expense and other taxes

Assets and liabilities for taxes as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Current income tax – assets	\$ 99,973	\$ 152,601
Other current taxes		
Current VAT – assets	90,955	72,857
Other taxes current	7,791	6,456
Total other current taxes	98,746	79,313
Total current tax – assets	\$ 198,719	\$ 231,914
Non-current income tax – assets	1	19
Total tax – assets	\$ 198,720	\$ 231,933
Current income tax – liabilities	\$ (26,421)	\$ (26,702)

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a) Components of income tax expense

The major components of income tax expense for the years ended December 31, 2019, 2018 and 2017 are:

Consolidated statement of comprehensive income.

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
Current income tax:			
Current income tax charge	\$ 25,171	\$ 24,208	\$ 32,934
Changes in estimates related to prior years	1,304	2,943	2,225
Deferred tax expense:			
Relating to origination and reversal of temporary differences	(2,492)	(6,938)	(15,050)
Income tax expense reported in the income statement	<u>\$ 23,983</u>	<u>\$ 20,213</u>	<u>\$ 20,109</u>

Consolidated statement of other comprehensive income

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
Coverage reservations	\$ —	—	\$ 3,558
Reserves relating to actuarial gains and losses	441	(39)	(15,018)
Income tax expense charged directly to other comprehensive income			
	<u>\$ 441</u>	<u>\$ (39)</u>	<u>\$ (11,460)</u>

(b) Tax Rate reconciliation in accordance with the Tax Provisions and the Effective Rate:**Standards in other countries**

Subsidiary companies in Ecuador must pay a capital gains tax at a 28% rate. For subsidiaries in Costa Rica, México, Salvador and Peru the rate is 30%, in Guatemala the rate is 25%.

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Tax Reform ColombiaIncome Tax

In 2019, the national government issued law 2010 in accordance with the objectives that the law 1943 of 2018 promoted on the subject, however, it presents the following modifications:

Income tax rate for taxable year 2020 and following:

<u>Year</u>	<u>General Rate (1)</u>	<u>Rate Applicable to Financial Entities (2)</u>
2020	32%	36%
2021	31%	34%
2022 and next	30%	33%

(1) Rate applicable to national societies, permanent establishments and foreign entities.

(2) Rate applicable to financial entities with taxable income equal to or greater than 120,000 UVT, as provided in paragraph 7 included in article 240 of the Tax Statute.

On the other hand, it reduces for the year 2020, the applicable rate for the purpose of calculating the income tax under the presumptive income system which will be 0.5% of the taxpayer's net worth of the previous year. From the year 2021 the applicable rate will be 0%.

Dividend Tax

The rate is reduced from 15% to 10% for resident natural persons, illiquid successions. Likewise, the rate is increased from 7.5% to 10% for non-resident natural and legal persons and permanent establishments. The rate applicable to national companies is maintained at the rate of 7.5%.

Equity tax

For the taxable years 2020 and 2021 equity tax is maintained, for resident natural persons and for non-resident natural and legal persons.

Tax procedure

The applicable audit benefit is extended to the 2019 taxable year for the 2020 and 2021 taxable years.

The term of firmness applicable to the declarations in which fiscal losses are compensated or generated is reduced to five years and compared to the years that it is obliged to comply with the transfer pricing regime.

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The term to voluntarily correct tax returns in which the balance in favor is reduced or the value to be increased is extended to three years.

Firmness of Income Tax Statements and Complementary

As of 2017 and with the entry into force of law 1819 of 2016, the general term of firmness of tax returns is 3 years from the date of expiration or from the date of its presentation, when you are having been presented extemporaneously. The term of firmness is 6 years when there are obligations regarding transfer pricing.

With respect to those declarations in which balances are presented in favor, the term of firmness is 3 years, from the date of the submission of the return or compensation request.

Regarding those tax returns in which fiscal losses are compensated, the firmness corresponds to the same term that the taxpayer has to compensate it, that is, 12 years. This term extends from the date of compensation for another 3 years in relation to the statement in which said loss was settled.

From 2019 and with the entry into force of law 1943 of 2018, the extension of the firmness of 3 additional years for compensation of tax losses is eliminated.

Other Aspects**Dividend Tax**

On the profits generated from 2017, the tax on dividends applies to foreign companies and entities.

The rate of this tax for dividends distributed to foreign companies and entities until 2018 was 5% (which is collected through the withholding mechanism at the source) in the event that dividends come from profits that were not subject to taxation at the level of society. Otherwise, that is, the profits have not been subject to taxation at the company level, the dividend will be taxed with income tax at a rate of 35%. In this scenario, the 5% dividend tax applies to the amount of the taxed distribution, once it has been reduced with the income tax at the rate of 35%.

Law 1943 of 2018 established that, as of January 1, 2019, dividends and participations paid or credited to accounts from distributions made between Colombian companies, are subject to a withholding tax at source of dividend tax at a 7.5% rate. On the other hand, if the profits charged to which dividends were distributed were not subject to taxation at the company level, said dividends are taxed with the applicable income tax in the distribution period (2019 year applicable rate 33%). In this case, the withholding of 7.5% will apply to the value of the dividend once it has been reduced with the income tax (33% for the year 2019).

The withholding fee of 7.5% will be caused only in the first distribution of dividends between Colombian companies and may be credited against the tax on dividends once paid by the resident natural shareholder or the investor resident abroad.

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It should be noted that the 7.5% withholding does not apply to: (i) Colombian Holding Companies, including decentralized entities; and (ii) entities that are part of a duly registered business group, in accordance with commercial regulations.

Equity Tax

Law 1943 of 2018, created from 2019 the new estate tax, in charge of natural persons and illiquid inheritance with residence or without residence in the country and foreign companies and entities not declaring income in Colombia, who own goods in Colombia, other than stocks, accounts receivable, and portfolio investments. Nor will foreign companies or entities that do not declare income tax that sign financial lease agreements with entities resident in Colombia be taxable. The generating event was the possession at January 1, 2019 of a liquid assets equal to more than \$5,000 million pesos.

Presumptive Income

Until the taxable year 2019, the taxpayer's liquid income cannot be less than 3.5% of their liquid assets, on the last day of the immediately previous taxable year.

Transfer Pricing

The taxpayers of the income tax that carry out operations with economic associates or related parties from abroad, are obliged to determine, for purposes of income tax, their ordinary and extraordinary income, their costs and deductions, their assets and liabilities, considering for these operations the prices and profit margins that would have been used in operations comparable to or between economically unrelated.

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A reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rate for the years ended December 31, 2019, 2018 and 2017 is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Net (loss) profit for the year	\$(893,995)	\$ 1,143	\$ 82,032
Total income tax expense	23,983	20,213	20,109
(Loss) profit before income tax	<u>\$(870,012)</u>	<u>\$ 21,356</u>	<u>\$ 102,141</u>
Income tax at Colombian statutory rate	33% (287,104)	37% 7,902	40% 40,856
Productive fixed assets special deduction	0% —	(267%) (57,229)	(45%) (45,868)
Permanent differences (1)	(16%) 136,798	(391%) (83,458)	139% 141,508
Non-deductible taxes	0% (167)	16% 3,413	3% 3,124
Effect of tax exemptions and tax rates in foreign jurisdictions	(1%) 8,974	125% 26,699	(118%) (120,797)
Non recognized deferred tax assets	(9%) 82,362	(545%) (116,362)	(142%) (144,965)
Losses of tax reversion	0% —	0% —	185% 188,640
Exchange rate differences	(10%) 82,596	(1066%) 227,692	(49%) (49,595)
Prior year adjustments	0% (36)	(6%) (1,245)	0% —
Other	0% —	0% —	9% 9,498
Changes in tax rates	0% 560	60% 12,801	(2%) (2,292)
	<u>(3%) \$ 23,983</u>	<u>95% \$ 20,213</u>	<u>20% \$ 20,109</u>

(1) This item includes various permanent differences that are non-deductible expenses for the purposes of corporate income tax in Colombia. Consequently, they are necessary for reconciliation between nominal and effective tax rates. These other permanent differences include items such as the consolidation of special purpose entities and losses of property, plant and equipment.

c) Subsidiaries Investments

During the year ended as December 31, 2019 Avianca S.A. and Tampa Cargo S.A. are the dominant companies in their subsidiaries and are able to control the future moment in which the temporary difference related to their investments in such subsidiaries can be reversed and additionally these aren't expected to reverse predictable future. Consequently, and in accordance with the exception permitted by paragraphs 39 and 44 of IAS 12, deferred tax liabilities with respect to temporary differences of investments in subsidiaries, were not recognized for a value of \$237 million as of December 31, 2019, for the year 2018 this figure amounted to \$60 million.

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d) Tax Credits

As of December 31, 2019, and 2018, the following is the detail of the tax loss carryforwards and excesses of presumptive income of the Company that have not been used and for which no deferred tax asset has been recognized:

Tax losses originated in the year:

2015	\$ 4,347
2016	19,756
2017	104,874
2018	167,241
2019	200,824
Total:	<u>\$497,042</u>

Excess of presumptive income originated in the year:

Year 2016	\$ 8,424
Year 2017	1,260
Year 2018	356
Total:	<u>\$10,040</u>

The Group has deferred tax asset corresponding to the aforementioned tax losses for \$151. However, according to the Company's financial projections no tax income will be generated for the next 5 years to allow the compensation of the deferred tax assets. Therefore, said deferred tax assets has only been recognized by an amount up to the concurrence of deferred tax liabilities, according to IAS12 paragraph 35.

e) Deferred tax by type of temporary difference:

The differences between the carrying value of assets and liabilities and the tax bases, lead to temporary differences that generate deferred taxes, calculated and registered in the periods December 31, 2019 and 2018 applying the tax rate for the taxable year in which those temporary differences will be reversed.

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Below is an analysis of the deferred tax assets and liabilities of the Group:

Consolidated statement of financial position

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>Variation</u>
Assets (liabilities)			
Accounts payable	\$ 44,939	\$ 88,920	\$ (43,981)
Deposits and other assets	—	(11,481)	11,481
Aircraft maintenance	(8,727)	(3,573)	(5,154)
Pension liabilities	10,599	3,089	7,510
Provisions	24,330	19,037	5,293
Loss carry forwards	5,333	603	4,730
Non-monetary items	(36,626)	(49,343)	12,717
Intangible assets	(7,061)	(8,220)	1,159
Other	(24,092)	(32,896)	8,804
Net deferred tax assets / (liabilities)	<u>\$ 8,695</u>	<u>\$ 6,136</u>	<u>\$ 2,559</u>

Reflected in the statement of financial position as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>Variation</u>
Deferred tax assets	\$ 27,166	\$ 24,573	\$ (2,593)
Deferred tax liabilities	(18,471)	(18,437)	34
Deferred tax assets (liabilities) net	<u>\$ 8,695</u>	<u>\$ 6,136</u>	<u>\$ (2,559)</u>

In accordance with paragraph 74 of IAS 12, the Group has compensated the deferred tax assets and liabilities for presentation purposes in the statement of financial position. The impact of this application, in consideration of the quantitative analysis and economic facts involved, does not significantly alter and is not relevant regarding to the statement of financial position.

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Reconciliation of deferred tax assets net

	December 31, 2019	December 31, 2018
Opening balance as of January 1,	\$ 6,136	\$ 155
Tax income during the period recognized in profit or loss	2,492	6,938
Tax income during the period recognized in other comprehensive income	441	(39)
Exchange differences	(374)	(918)
Closing balance as of December 31	<u>\$ 8,695</u>	<u>\$ 6,136</u>

f) Transfer pricing

The Group's companies prepared transfer-pricing studies regarding their transactions within and between enterprises under common ownership or control during fiscal year 2018. There were no adjustments to taxable income or deductible expenses that affected the Group, due to these studies. Although the Group is currently working on the transfer pricing studies for 2019, we don't anticipate any significant changes in contrast with fiscal year 2018.

g) Position for uncertain tax uncertainties

For the consolidated financial statements as of December 31, 2019 and 2018, the tax positions adopted in the declarations still subject to review by the Tax Authority have been analyzed, in order to identify uncertainties associated with a difference between such positions and those of the Tax Administration. According to the evaluations carried out, no facts have been identified that lead to the registration of additional provisions for this concept.

(32) Provisions for legal claims

As of December 31, 2019 and 2018 the Group is involved in different lawsuits and legal actions that arise in the development of commercial activities.

The changes in provisions for litigation as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Balances at the beginning of the period	\$ 7,809	\$ 11,720
Provisions constituted	21,208	2,034
Provisions reverse	(6,537)	(5,007)
Provisions used	(2,236)	(938)
Balances at the end of the period	<u>\$ 20,244</u>	<u>\$ 7,809</u>

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Among the provisions for litigation are those related to labor processes (December 31, 2019: \$6,413, December 31, 2018: \$3,695), consumer protection processes (December 31, 2019: \$4,101, December 31, 2018: \$1,133) and civil processes (December 31, 2019: \$766, December 31, 2018: \$795).

Certain proceedings are considered possible obligations. Based on the plaintiffs' claims, as of December 31, 2019 and December 31, 2018, these contingencies amount to a total of \$206,382 and \$123,216 respectively. Certain losses which may result from those proceedings will be covered either by insurance companies or with funds provided by third parties. The proceedings that will be settled using the aforementioned forms of payment are estimated \$28,174 as of December 31, 2019 and \$56,210 as of December 31, 2018.

In accordance with IAS 37, the legal claims that the Group considers representing a remote risk are not contemplated in the consolidated financial statements.

Current Situation with Oceanair Linhas Aereas S.A.

On December 10, 2018 Oceanair Linhas Aereas S.A. (See Note 10-Balances and transactions with related parties) and AVB Holdings S.A., both separate related companies not integrated with the Group, filed for a judicial recovery request before the 1st Judicial Recovery and bankruptcy court of Sao Paulo, Brazil.

The Group has formally requested the termination and redelivery of four aircraft in compliance with the terms and conditions set forth in each of the sublease agreements.

The parties agreed to finish four subleased aircraft Sublease Agreements (1 A330, 1A330F and 2 A319) in February 2019 the first two in August 2019 the third, and the four in November 2019. To date, the aircrafts are in the custody of Avianca.

As of December 31, 2019, the two Airbus A319 aircraft are classified as assets held for sale.

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

In August 2019, the Group disclosed that it had discovered a business practice at the Group whereby Group employees, including members of senior management, as well as certain members of the board of directors, provided "things of value," which based on its current understanding have been limited to free and discounted airline tickets and upgrades, to government employees in certain countries. The Group commenced an internal investigation, supervised by the Audit Committee, and retained reputable outside counsel and a specialized forensic investigatory firm to determine whether this practice may have violated the FCPA or other potentially applicable U.S. and non-U.S. anti-corruption laws. In 2018, the Group implemented certain revisions to its policies designed to prevent such practice from occurring, including limiting the number of persons at the Group who are authorized to issue free and discounted airline tickets and upgrades, and

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requiring additional internal approvals. On August 13, 2019, the Group voluntarily disclosed this investigation to both the U.S. Department of Justice and the SEC, and, subsequently, to the Colombian Financial Superintendence.

Also, in February 2020, the Office of the Attorney General of Colombia served Avianca with a search warrant of its offices with the objective of collecting information related to this investigation. As has been its practice, Avianca has cooperated and will continue to cooperate with all pertinent authorities. Avianca will provide the information being requested to the Office of the Attorney General of Colombia, while exercising its legal rights to ensure that its confidential and privileged information remains protected.

The U.S. and Colombian government inquiries described above, related inquiries and developments in other countries, and the Group's internal investigations are continuing. Any action in these or related inquiries, proceedings or other developments, or any agreement the Group enters into to settle the same, may result in substantial fines, reputational harm and other sanctions and adverse consequences. Based upon the opinion of its outside counsel, the Group believes that there is no adequate basis at this time for estimating accruals or quantifying any contingency with respect to these matters.

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

In January 2020, our primary aircraft supplier Airbus entered into a settlement with authorities in France, the United Kingdom and the United States regarding corrupt business practices. Airbus' settlement with French authorities references a possible request by an Avianca "senior executive" in 2014 for an irregular commission payment, which was ultimately not made. As a result of this development, we have voluntarily initiated an internal investigation to analyze our commercial relationship with Airbus and to determine if we have been the victim of any improper or illegal acts. We have disclosed this internal investigation to the U.S. Department of Justice and the SEC, as well as the Superintendence of Industry and Commerce and the Colombian Office of the Attorney General. We are cooperating with all agencies. Our internal investigations are not complete and we cannot predict the outcome of these internal investigations or what potential actions may be taken by the U.S. Department of Justice, the SEC or local regulators or officials. If it is found that these business practices violated the FCPA or other similar laws applicable to us, or we were at any time not in compliance with any other laws governing the conduct of our business, we could be subject to criminal and civil remedies, including sanctions, monetary penalties and regulatory actions, which could materially and adversely affect us.

Review of potential inadvertent violations of the U.S. Cuban Assets Control Regulations

In September 2019, the Group disclosed that it had become aware that it had become subject to U.S. jurisdiction for purposes of certain U.S. sanctions laws and regulations administered by the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury. This jurisdictional nexus was established as a result of the transfer, on November 9, 2018, by the Group's parent company, Synergy Aerospace Corp. (Synergy), of approximately 78% of the Group's voting common shares (Share Transfer) from a Panama based company to a Delaware limited liability company wholly-owned by Synergy (BRW). Synergy had formed BRW and effected the Share Transfer unilaterally in connection with BRW obtaining a loan from United Airlines. Having become aware

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that as a consequence of the ownership change the Group is considered a person subject to U.S. jurisdiction under certain of OFAC's sanctions programs, the Group engaged outside counsel to conduct a review aimed at identifying any potential violations of U.S. sanctions regulations. As a result of this review, the Group identified that the regularly scheduled commercial passenger flights between cities in Central and South America and Havana, Cuba and related Cuba operations that it has historically conducted may have constituted inadvertent violations of the U.S. Cuban Assets Control Regulations (CACR) during the period following the Share Transfer. During the period beginning on the date of the Share Transfer and ending on September 30, 2019, such flights to and from Havana, Cuba comprised an inconsequential amount of the Group's gross revenues. On September 25, 2019, the Group submitted to OFAC a preliminary voluntary self-disclosure addressing such potential inadvertent violations, followed by more detailed full narrative voluntary self-disclosures submitted on October 4, 2019, and November 25, 2019. OFAC is currently reviewing these voluntary self-disclosures. In concert with these voluntary disclosures, the Group commenced the termination of all of its Cuba-related activities. As of to date of issuance of these consolidated financial statements, the Group no longer operates any flights to Cuba, nor does the Group sell any passenger or cargo tickets involving Cuba (including via its codeshare and interline partners). The Group no longer maintains a physical presence in Cuba and has issued termination notices for all of its legacy Cuba-related contracts and employees (for example, ground services, ticket sales, and other services in Cuba that supported the Company's now-terminated Cuba passenger flights). The Group has kept OFAC apprised of these actions and remains in communication with OFAC concerning the Group's voluntary self-disclosures and the termination of the Company's Cuba-related activities. Based on the above, the Group believes that there is no adequate basis at this time for estimating accruals or quantifying any contingency with respect to these matters.

In light of the above, the Group has embarked on a comprehensive effort to improve and expand its compliance program worldwide, including enhancements to the Group's existing sanctions screening processes, implementation of a comprehensive sanctions compliance program, and sanctions training for key Group employees.

(33) Future aircraft leases payments

The Group has 100 aircraft that are under financial leasing. The following is the summary of future financial lease commitments:

	<u>Aircraft</u>
Less than one year	\$ 394,379
Between one and five years	1,221,111
More than five years	717,693
	<u><u>\$2,333,183</u></u>

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The Group has 58 aircraft that are under operating leases, of which 1 aircraft is leased under wet lease for approximately 2 months and the others 57 aircraft have an average lease term of 62 months. Operating leases can be renewed, in accordance with the administration's business plan. The following is the summary of the future commitments of operating leases:

	<u>Aircraft</u>
Less than one year	\$ 266,135
Between one and five years	856,655
More than five years	317,642
	<u>\$1,440,432</u>

(1) As of January 1, 2019, as a result of the adoption of IFRS 16, the leases that are legally denominated operative are recorded in the consolidated statement of financial position as part of ownership of plant and equipment-flight equipment as well as the recognition of the related financial liability that represents the present value of the minimum payments of the lease contract. (see note 4).

The Group has 9 engines under an operating lease contract for its aircraft fleet of the E190 and A320 families. The following is the summary of the future commitments of operating leases:

	<u>Engines</u>
Less than one year	\$ 9,833
Between one and five years	25,590
More than five years	4,663
	<u>\$40,086</u>

In the year 2019, the Group finished the aircraft operating lease agreements with Oceanair Linhas Aéreas S.A. As of December 31, 2019, the Group had two E-190 to Aerolitoral, S.A. de C.V. Future minimum income from these lease agreements is as follows:

	<u>Aircraft</u>
Less than one year	\$ 2,485
	<u>\$ 2,485</u>

During the year ended by December 31, 2019, Avianca Holdings S.A. extended 16 A320, 4 A321 and 2 A330 operating leases, signed 3 A320neo Operating Lease Agreements 1 A300F was destroyed (damages) and sold 10 financial A318, 2 financial A320 and 2 owned A320. Avianca Holdings S.A. also signed a B797-9 Operative Lease Agreement in 2019.

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The amount of recognized payments has expenses during ended December 31, 2019, 2018 and 2017 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Leases minimum payments	<u>\$ 11,762</u>	<u>\$ 267,708</u>	<u>\$ 278,772</u>

(34) Acquisition of aircraft

The Group's contractual obligations reflecting aggregate aircraft and engine purchase commitments, which include related pre-delivery payments to be made, based on discounted prices negotiated with suppliers under the contracts in effect as of the balance sheet date.

In accordance with the agreements in effect, future commitments related to the acquisition of aircraft and engines as of December 31, 2019, as follows:

	<u>Less than one year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Aircraft and engine purchase commitments	<u>\$ 364,332</u>	<u>\$ 797,170</u>	<u>\$ 2,570,507</u>	<u>\$ 3,003,541</u>	<u>\$ 6,735,550</u>

Amounts disclosed reflect certain discounts negotiated with suppliers as of the consolidated statement of financial position 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. In addition, the amounts and timing of our actual cash disbursements relating to our aircraft and engine purchase commitments may differ due to our right to offset certain obligations with credits we have against suppliers.

In January 6, 2020, we reached agreements with Airbus to optimize our fleet plan as part of our implementation of the Avianca 2021 Plan, the Group negotiated with Airbus the cancellation of some orders and a significant reduction of its scheduled aircraft deliveries in 2020, 2021, 2022, 2023 and 2024 for delivery in 2025 through 2029, which modifies the advanced payments and aircraft acquisition as follows:

	<u>Less than one year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Aircraft and engine purchase commitments	<u>\$ 10,913</u>	<u>\$ 74,538</u>	<u>\$ 524,567</u>	<u>\$ 5,090,109</u>	<u>\$ 5,700,127</u>

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.

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(35) Dividends

The Group decreed dividends during ended December 31, 2019, based on the retained earnings as of December 31, 2018, and dividends were decreed by the Group during ended December 31, 2018, based on retained earnings as of December 31, 2017:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Dividends decreed		
Dividend - Ordinary shared	\$ 9,862	\$ 23,433
Dividend - Preferred shared	5,523	12,075
Total	\$ 15,385	\$ 35,508

The General Shareholders Meeting of Avianca Holdings S.A. at an ordinary session on March 22, 2019, agreed distribution of profits for the year 2018 as dividend to the shareholders preferent and ordinary of the Group that will be paid the amount of COP\$50 (Preferred shared) and COP\$46 (Ordinary shared) per share, respectively. The dividends decreed were paid on May 24, 2019 by the amount of COP\$16 and COP\$3 per share, August 23, 2019 COP\$16 and COP\$3 per share and September 20, 2019 COP\$18 and COP\$40 per share, respectively.

The decree of dividends was made with a TRM of COP \$3,082.45. The payment of the dividends was made to the corresponding TRM on the date on which the transaction was made.

The General Shareholders Meeting of Avianca Holdings S.A. at an ordinary session on March 16, 2018, agreed the project for the distribution of profits for the year 2017 as dividend to the shareholders of the Group that were paid the amount of COP\$98.6 per share. The dividends declared were paid in four equal installments of COP\$24.65 per share, on June 29, July 31, August 31 and September 28, 2018.

Dividends declared and paid to minority shareholding

During the year ended December 31, 2019 and, 2018, the subsidiaries with minority interest, declared and paid dividends as follows:

Subsidiaries	December 31, 2019			December 31, 2018		
	Minority Interest	AVH Participation	Total Dividends	Minority Interest	AVH Participation	Total Dividends
LifeMiles Ltd (1) (2)	\$36,000	\$ 84,000	\$120,000	\$61,500	\$ 143,500	\$205,000
Turbo Prop Leasing Corp (2)	—	—	—	596	1,265	1,861
Total	\$36,000	\$ 84,000	\$120,000	\$62,096	\$ 144,765	\$206,861

(1) The dividends received for AVH are eliminated in consolidation process.

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(2) As of December 31, 2019, there aren't outstanding balances payable for dividends for minority interest. As of December 31, 2018, it is pending payment to the minority interest of LifeMiles (Advent) for \$6,000.

(36) Debt covenants

As of December 31, 2019, we have overdue payments of the debt associated with the ATR 72 fleet, as indicated in Note 16- Long-term debt – Non-compliance debt, which affects the debt related to the “Cross Default” E-190 fleet to the amount of \$55,977. This total debt is classified as a short term in the Debt – Assets held for sale.

On February 21, 2020, the total payment of the debt associated with E190 fleet was realized, as a result of the sale of the associated aircraft. Therefore, as of the issue date of these financial statements, we have remedied this default.

(37) Special charges

Special charges include expenses associated with the organizational transformation plan, called “Avianca 2021”, which seeks to strengthen the company's competitiveness and accelerate the financial adjustments necessary to ensure its sustainability.

The “Avianca 2021” started in 2019 and is expected to be completed by 2021.

The fundamental pillars of the transformation plan are:

- Operating efficiency. Since November 2018, the Group began a systematic effort to improve punctuality indicators. Changes will continue to be made in itineraries, routes, schedules and frequencies and, working with the aeronautical authority, to achieve a simpler operation and provide a better service to its customers.
- Fleet plan adjustment: Renegotiation of the agreement with the Airbus manufacturer was achieved, which consists in the cancellation of 37 aircraft and the postponement of the incorporation of aircraft, generating a reduction of \$3.3 billion in financial commitments and committed payments were postponed between 2020 and 2024 for \$5.1 billion to be made from 2025 onwards.
- Divestment of non-strategic assets: It seeks to focus the efforts of the holding company on passengers, cargo and loyalty; therefore, it has been decided to divest certain assets, among which are:
 - Sale of flight simulators to CAE (see note 15),
 - Sale of participation in Aerotaxis La Costeña and Turboprop Leasing (see note 1),

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- Sales plan fleet, ten Embraer 190, ten Airbus A318, two Airbus A319, sixteen Airbus A320, four Airbus A321, 2 Airbus A330 and 1 Airbus A330F. (See note 15).

Special charges in the consolidated statement of income consisted of the following for the twelve months ended December 31, 2019:

	Year ended December 31, 2019
Aircraft impairment (1)	\$ 469,586
Loss on sale of subsidiaries (2)	40,467
Impairment of Venezuela assets (6)	14,867
Fees and others (3)	62,274
Staff Settlement agreement (4)	17,900
Gain in sale of simulators (5)	(5,970)
Total	\$ 599,124

(1) Corresponds to the value of the impairment loss recognized at the moment of reclassify the aircraft that have been determined as available for sale (\$455,794) 10 E190, 10 A318, 2 A319, 16 A320, 4 A321, 2 A330 and 1 A330F, given that the net book value of said aircraft compared to the value expected sale less sale cost, was lower. (See note 13 and 15). This amount is included on “Depreciation, amortization and impairment” of the income statement. Additional (\$10,098) for maintenance on aircraft for delivery and loss on assets sale by (\$3,694). This amount is included on “Maintenance and repairs” of the income statement.

(2) Corresponds to the value of the loss recognized by the share sale of AVH in Aerotaxis la Costeña and Turboprop Leasing. (\$5,487) (See note 1). Additionally, impairment of the account receivable assigned by Grupo Aeromar S.A. de CV to Chelsea Securities, S.A., originated in a potential investment of the AVH Group in the Mexican market, a decision that was not approved (\$34,980). These amounts are included on “Fees and other expenses” of the income statement.

(3) Includes expenses of financial and legal advice for structuring the transformation plan. This amount is included on “Fees and other expenses” of the income statement.

(4) Includes the values related to compensation to employees that have been removed, as a result of the organizational restructuring plan “Avianca 2021”. Estimated cash outflow that is expected to be carried out in 2020 is for \$12,750. This amount is included on “Salaries, wages and benefits” of the income statement.

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(5) Corresponds to the value of the gain on sale of simulators to CAE International, made in January 2019 by \$5,970. This amount is included on "Cargo and other" of the income statement.

(6) The Group recognized an impairment of the Venezuela operations of (\$14,867). The impairment is caused by the deterioration of the political-economic situation and is an immaterial correction of an error, which should have been recorded in a prior year. In the year 2019, the process of intention to sell these offices was reactivated. This amount is presented as an element of "Impairment" in the income statement.

(38) Subsequent Events

Aircraft Sale

As of December 31, 2019, the Group have 15 aircraft (11 Airbus A320 and 4 Airbus A321) as assets held for sale, which they planned to execute sale and leaseback agreements for during 2020. From January 2020 to the date of issuance of these financial statements, sale and leaseback agreements of 9 aircraft have been executed, with the following effects:

Fleet	Asset held for sale	Previous debt	Sale price	Net cash	Net gain (loss)	Asset right of use	Debt by right of use
A320	\$ 264,921	\$92,319	\$263,293	\$170,974	\$ 4,180	\$197,707	\$ 191,899

Additionally, from January, 2020 to the date of issuance of this report, the Group sold 10 aircraft Embraer E190, with the followings effects:

Fleet	Asset held for sale	Previous debt	Sale price	Net cash	Net gain (loss)
E-190	\$ 59,611	\$52,840	\$ 64,856	\$12,016	\$ 5,245
Spare parts	3,716	—	3,360	3,360	(356)
Total	\$ 63,327	\$52,840	\$ 68,216	\$15,376	\$ 4,889

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Also, at the date of issuance of this report, the Group sold 2 A300-200 aircraft, with the following effects:

Fleet	Carrying amount	Sale price	Net gain
A-300-200	\$ 404	\$ 1,651	\$ 1,247

COVID-19, Subsequent Chapter 11 Filing and Insolvency of Avianca Peru

The World Health Organization declared COVID-19 a pandemic and, in March 2020, governments around the world, including those of the United States, Colombia and most Latin American countries, declared states of emergency in their respective jurisdictions and implemented measures to halt the spread of the virus, including enhanced screenings, quarantine requirements and severe travel restrictions.

Following orders by the governments of Colombia and of other countries in which we operate, we have temporarily ceased international passenger operations to and from Colombia, ceased all Colombian domestic passenger flight operations and cancelled all passenger flights to and within Peru, El Salvador and Ecuador. As a result of these measures, substantially all of our passenger flights have been cancelled and our corresponding fleet has been grounded.

In addition to reducing capacity, in order to mitigate the effects of these developments, we implemented additional cost savings and liquidity preservation measures, including temporary deferral of non-essential expenses, capital expenditures and labor contracts, as well as a suspension on hiring of new employees, an implementation of voluntary unpaid leave of absence and temporary salary reductions, which have resulted in a reduction of approximately 34% in salary wages and benefits expenses year to date, as compared to the same period in 2019.

Additionally, Avianca has cut all non-essential capital expenditures, and has temporarily deferred payments on its long-term leases and on payment of principal on certain loan obligations. Avianca is actively seeking mutually satisfactory agreements with its key suppliers, strategic lenders and other creditors to address the current scenario.

The spread of COVID-19 and the government measures taken to address it have already had a material and adverse effect on the airline industry and on us and have resulted in unprecedented revenue and demand drop as well as overall macroeconomic uncertainty. As of the date of this report, Avianca Holdings passenger revenues have decreased 51% year to date, as compared to the same period in 2019.

We cannot foresee or quantify the final extent of the impact of COVID-19 on our operational and financial performance, which will depend on developments relating to the spread of the outbreak, the duration and extent of quarantine measures and travel restrictions and the impact on overall demand for air travel, all of which are highly uncertain and cannot be predicted.

As a result of the aforementioned adverse developments, in order to preserve and reorganize our businesses, Avianca Holdings S.A. and certain of its affiliated entities filed, on May 10, 2020, voluntary petitions for Chapter 11 relief under title 11 of the United States Code (11 U.S.C. § 101, et. seq.) with the United States Bankruptcy Court for the Southern District of New York, which cases are being jointly administered under Case No. 20-11133 (MG). LifeMiles™, Avianca's loyalty program, is administered by a separate company and is not part of the Chapter 11 filing.

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Through the Chapter 11 reorganization process, Avianca intends to:

- Protect and preserve operations so Avianca can continue to operate and serve customers with safe and reliable air travel, under the strictest biosafety protocols, as COVID-19 travel restrictions are gradually lifted;
- Ensure connectivity and drive investment and tourism by continuing as Colombia's flagship airline, serving over 50% of the domestic market in Colombia and providing essential non-stop service across South America, North America and European markets as well as continuing cargo operations, playing a key role in the economic recovery of Colombia and the Company's other core markets following the COVID-19 pandemic;
- Preserve jobs in Colombia and other markets where the Company operates, with Avianca directly responsible for more than 21,000 jobs throughout Latin America, including more than 14,000 in Colombia, and working with more than 3,000 vendors; and
- Restructure the Company's balance sheet and obligations to enable Avianca to navigate the effects of the COVID-19 pandemic as well as comprehensively address liabilities, leases, aircraft orders and other commitments.

As a consequence of our filing Chapter 11 petitions, our operations and our ability to develop and execute our business plan, as well as our continuation as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include our ability to:

- to comply with the terms and conditions of the cash management order entered by the bankruptcy court in connection with our Chapter 11 proceedings;
- to maintain adequate cash on hand,
- to generate cash flow from operations, which depends largely on factors beyond our control relating to developments deriving from the spread of COVID-19,
- confirm and consummate a plan of reorganization with respect to our Chapter 11 proceedings;
- obtain sufficient financing to allow us to emerge from bankruptcy and execute our business plan post-emergence, as well as comply with the terms and conditions of that financing;

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- maintain our relationships with our creditors, suppliers, service providers, customers, directors, officers and employees; and
- maintain contracts that are critical to our operations on reasonably acceptable terms and conditions;
- the high costs of bankruptcy proceedings and related fees;
- the ability of third parties to seek and obtain court approval to (i) terminate contracts and other agreements with us, (ii) shorten the exclusivity period for us to propose and confirm a Chapter 11 plan or to appoint a Chapter 11 trustee or (iii) convert the Chapter 11 proceedings to Chapter 7 liquidation proceedings; and
- the actions and decisions of our creditors and other third parties who have interests in our Chapter 11 proceedings that may be inconsistent with our plans.

Any delays in our Chapter 11 proceedings increase the risks of our inability to reorganize our business and emerge from bankruptcy and may increase our costs associated with the reorganization process.

Further, on May 18, 2020, we announced to the market that, following a general shareholders' meeting of Avianca Peru, the board of directors of Avianca Peru agreed to terminate its operations and begin a voluntary dissolution and liquidation process under local Peruvian law in order to preserve and protect our businesses in the face of the COVID-19 crisis. In the future, we expect to continue to serve routes to and from Peru through our airlines in Colombia, El Salvador and Ecuador, once government flight restrictions permit us to do so.

Because of the many risks and uncertainties associated with a voluntary filing for relief under Chapter 11 and the related proceedings, we cannot accurately predict or quantify the ultimate impact that events that occur during our Chapter 11 proceedings may have on us and there is no certainty as to our ability to continue as a going concern.

Notwithstanding the above, as a result of the chapter 11 process, we can anticipate the potential qualitative effects on the following line items of our financial statements:

- Property and equipment: Avianca filed a motion to reject the leases for 14 aircraft. However, after subsequent negotiations with certain of its lessors, on May 19, 2020, Avianca and its filing subsidiaries revised the list of rejected leases and reduced it to 12

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aircraft. The rejection motion is still subject to approval by the Court and is scheduled to be discussed at a hearing currently scheduled for June 11, 2020. Avianca continues its discussions with the applicable aircraft financing counterparties while it evaluates all available options with respect to Avianca and its filing subsidiaries' fleet.

The negotiations with the lessors may impact our recognition of ROU as well as affect our estimates for provisions for Aircraft return conditions.

Further, assets held for sale will have to be reviewed since scheduled sales of certain aircraft had not been closed before the company's filing for chapter 11.

- Goodwill Impairment: The spread of the COVID 19 pandemic could have lasting effects on the demand environment for Air traffic and potentially result in significant adjustments to our business plan, which could adversely affect projections for recoverable amounts and valuations for goodwill.
- Air Traffic liability: Typically unused tickets expire after one year, and any revenue associated with tickets sold for future travel is recognized within 12 months. In response to COVID-19, Avianca is providing its customers with the option to receive a travel voucher that extends the expiration date of certain tickets. As such, any revenue associated with these tickets will not be recognized until the new flight date. Additionally, given this change in travel schedule, Avianca's estimates of revenue from unused tickets may be subject to variability and differ from historical averages. Finally, the airline industry expects a reduction in the demand for air traffic even after government imposed travel restrictions are lifted, which would adversely affect future sales and revenues.

Notification of the removal from listing and registration of the stated securities

On May 12, 2020, the New York Stock Exchange ("NYSE") suspended trading of the American Depository Shares ("ADSs") and requested the Securities and Exchange Commission ("SEC") to deregister the ADSs of Avianca Holdings S.A. once certain procedures are finalized. Avianca confirms that, by means of a notice from the NYSE pursuant to Form 25-NSE, all the conditions precedent to delisting set forth under SEC Rule 12d2-2(b) have been satisfied, the Company's ADSs were deregistered on May 27, 2020, under Section 12 (b) of the Securities Exchange Act of 1934.

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CERTIFICATION

I, Anko van der Werff, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 20-F of AVIANCA HOLDINGS S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 30, 2020

By: /s/ Anko van der Werff
 Name: Anko van der Werff
 Title: Chief Executive Officer

CERTIFICATION

I, Adrian Neuhauser, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 20-F of AVIANCA HOLDINGS S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 30, 2020

By: /s/ Adrian Neuhauser
 Name: Adrian Neuhauser
 Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Amendment No. 1 to the Annual Report of AVIANCA HOLDINGS S.A. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2019, as filed with the U.S. Securities and Exchange Commission (the “Report”), I, Anko van der Werff, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 30, 2020

By: /s/ Anko van der Werff
Name: Anko van der Werff
Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Amendment No. 1 to the Annual Report of AVIANCA HOLDINGS S.A. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2019, as filed with the U.S. Securities and Exchange Commission (the “Report”), I, Adrian Neuhauser, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 30, 2020

By: /s/ Adrian Neuhauser
Name: Adrian Neuhauser
Title: Chief Financial Officer