

The Avianca logo, featuring the word "Avianca" in a bold, red, sans-serif font, followed by a red stylized bird icon. The background of the slide is a close-up, low-angle shot of an aircraft's tail fin, showing a red and white checkered pattern and a small Colombian flag at the top. The sky is a pale blue with soft, wispy clouds.

**Avianca**

A STAR ALLIANCE MEMBER 

# **Avianca** Holdings S.A.

Corporate Presentation 2014

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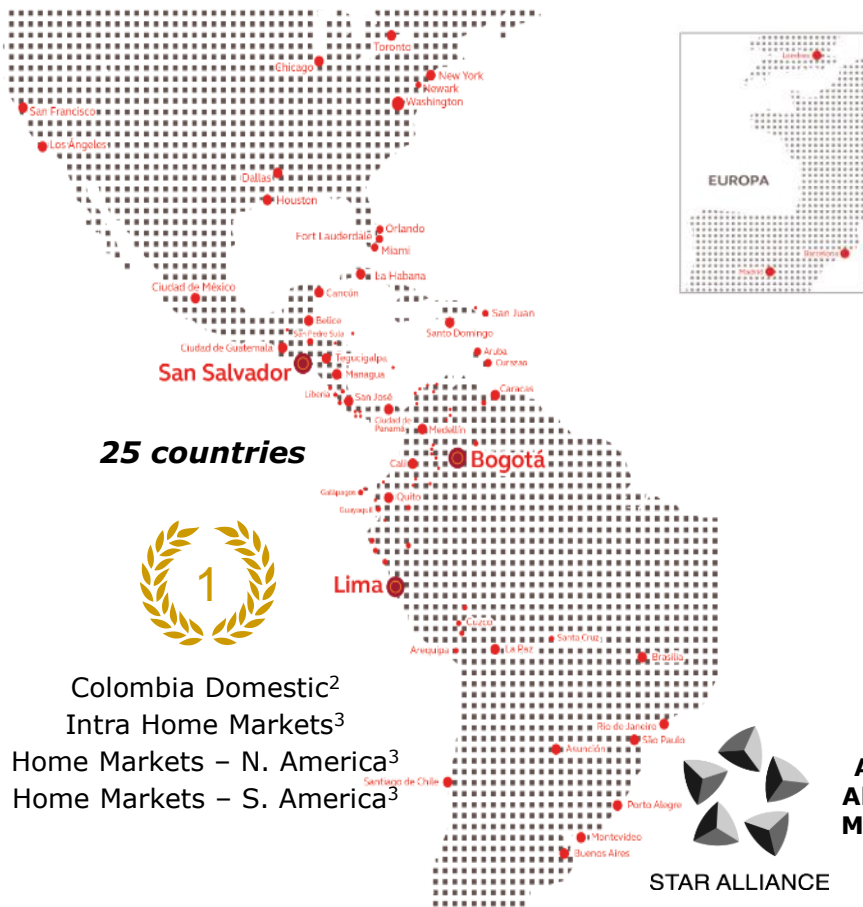
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# Avianca at a glance

## A leading airline in Latin America<sup>1</sup>



100+ Destinations

5,500 Weekly Departures

3 Hubs:  
Bogotá, San Salvador, and Lima

157 Aircraft <sup>4,5</sup>

Average Jet Passenger Aircraft Age of 5.3 Years <sup>4,5,6</sup>

	2012	2013	% Change
Passengers (mm)	23.1	24.6	6.6%
ASKs (bn)	36.5	38.8	6.1%
RPKs (bn)	29.1	31.2	7.3%
Revenues (US\$bn)	\$4.3	\$4.6	8.0%
EBITDAR (US\$mm)	\$659	\$828	25.8%
EBITDAR Margin	15.4%	18.0%	+260bps

Source: Company, Aeronáutica Civil de Colombia, and internal data derived from Travelport Marketing Information Data Tapes ("MIDT")

<sup>1</sup> Map as of December 31, 2012; <sup>2</sup> Based on passengers transported during the 6-month period ended June 30, 2013; <sup>3</sup> In 2012. According to internal information Avianca derives from MIDT, the Company believes they are the market leader in terms of passengers carried on international flights within the Andean region and Central America (home markets), and leader in terms of international air passengers carried from home markets to both North America and South America; <sup>4</sup> Includes jet passenger operative fleet only (excludes turboprop aircraft); <sup>5</sup> As of Dec 31, 2013;



Successful combination of Avianca and TACA,  
with additional synergies expected



Multi-hub network & leadership in growing Latin American  
market



Modern passenger fleet



Diversified sources of revenue

## Proven platform for profitable growth

# Avianca: Proven platform for profitable growth



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# Avianca-Taca: an integration plan with significant profitable growth potential

## Avianca's successful strategy since the February 2010 combination...

### Focus on organization and its people

- A single management team was promptly appointed
- Post merger integration management captured synergy

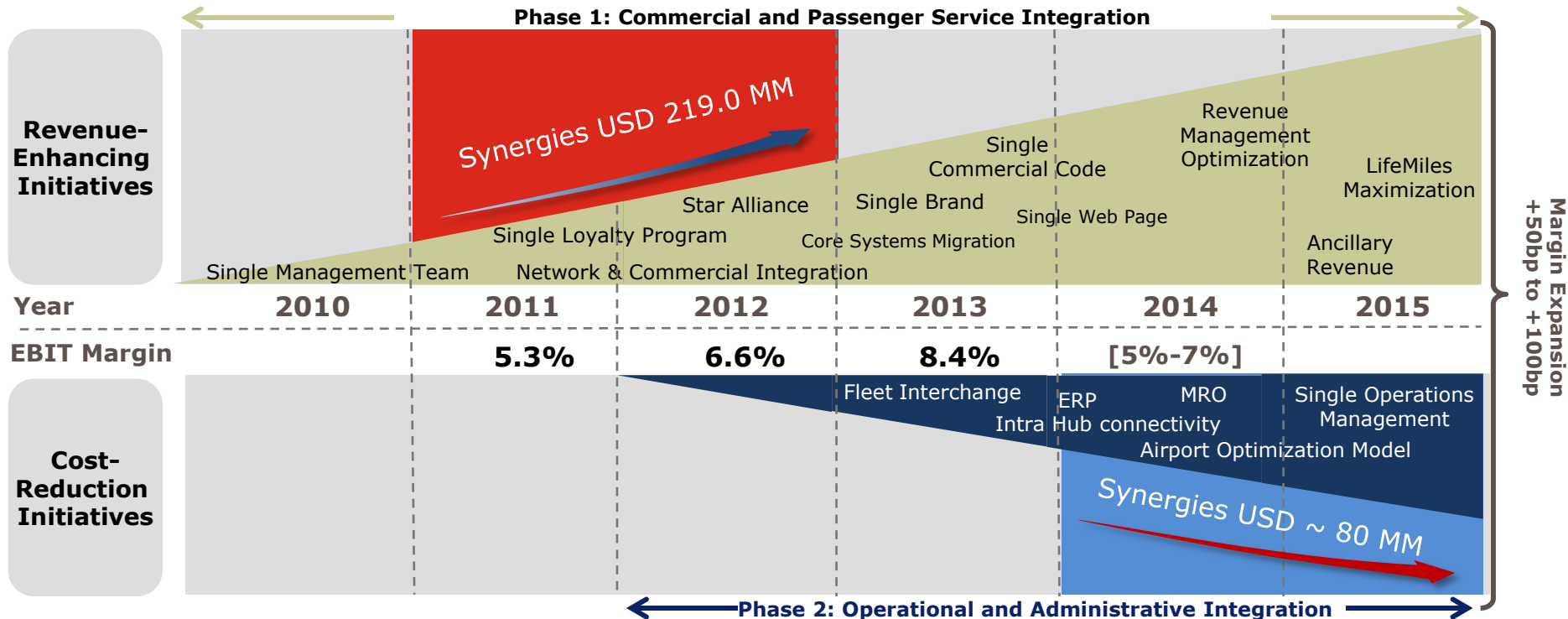
### Complementary networks and fleet

- 2 overlapping routes pre merger; 40 new routes since 2010
- Multi-hub system provides a more flexible geographic coverage

### Focus on service and clear customer strategy

- "Latin Excellence"
- Target customer: "Modern Latin"

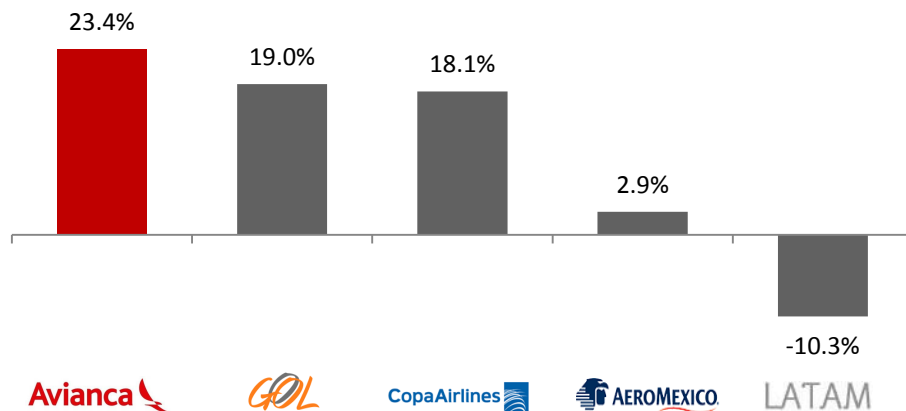
## ...is only the first part of a well-defined integration plan



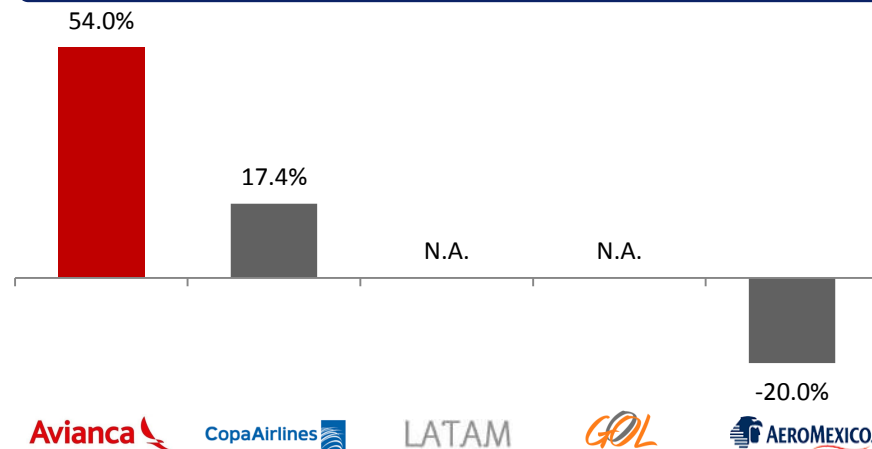


# Avianca's EBITDAR growth outperformed its closest competitors by 440 Bps

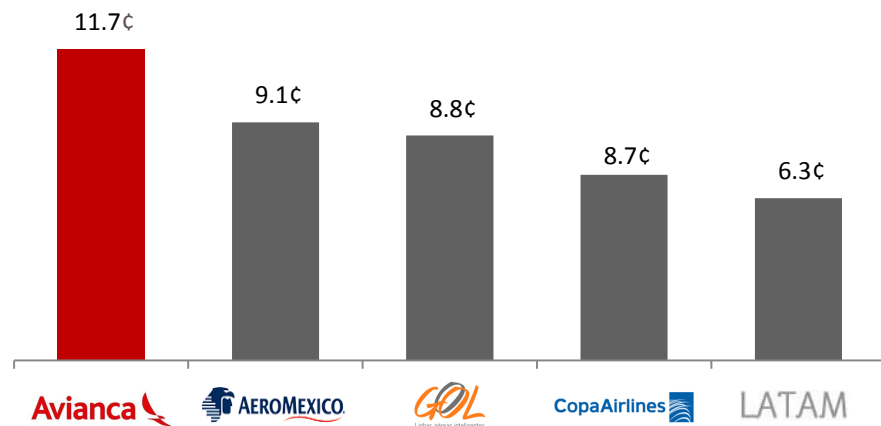
## 2011 – 2013 EBITDAR<sup>1</sup> growth



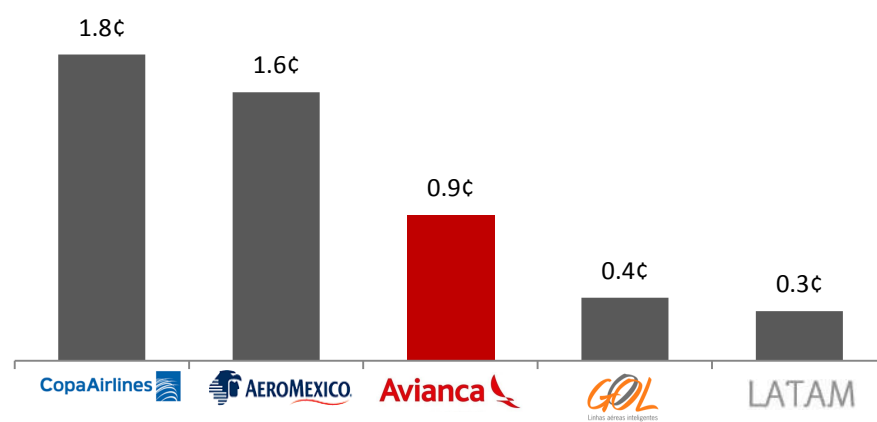
## 2011 – 2013 Net Income<sup>2</sup> growth



## LTM RASK<sup>3</sup> (US¢)



## LTM RASK<sup>3</sup> – CASK<sup>4</sup> (US¢)



Source: Avianca, Copa, and Aeromexico 2013 FY company filings. Latam and Gol LTM as of September 2013

Note: LTM metrics as of Sept 30, 2013 calculated as results from the twelve months ended December 31, 2012 plus results from the six months ended Sept 30, 2013 less results from the six months ended Sept 30, 2012  
<sup>1</sup> EBITDAR calculated as operating profit plus the sum of aircraft rentals and depreciation, amortization, and impairment; <sup>2</sup> Net income adjusted for foreign exchange and derivative instrument expenses; <sup>3</sup> Total operating revenue per available seat kilometer, or RASK, represents total operating revenue of all business lines divided by available seat kilometers (ASKs); <sup>4</sup> CASK represents operating expenses of all business lines divided by available seat kilometers (ASKs); CASK considers costs and ASKs of the consolidated business



# Avianca: Proven platform for profitable growth



Successful integration of Avianca and TACA, with additional synergies expected



Multi-hub network & leadership in growing Latin American market



Modern passenger fleet



Diversified sources of revenue





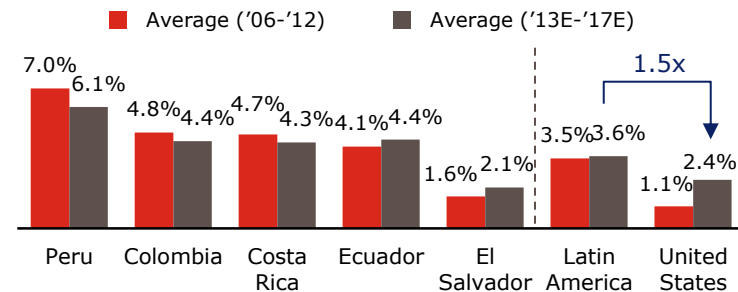


# Avianca's footprint connects Latin American countries with robust fundamentals to the world

## Comprehensive network in Latin America

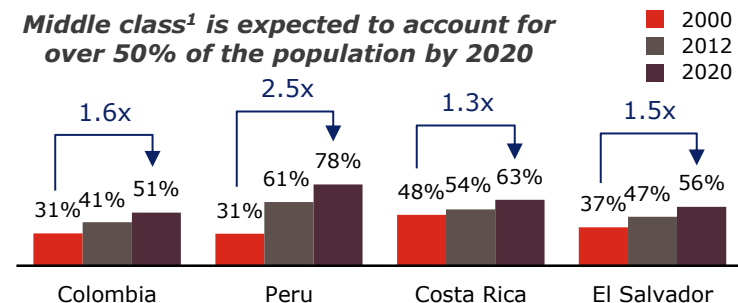


## Real GDP growth



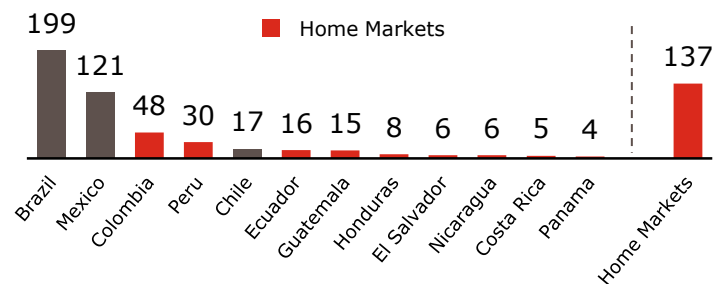
## Growing middle class

**Middle class<sup>1</sup> is expected to account for over 50% of the population by 2020**



## Population (mm)

**Our home markets have more than 137mm inhabitants**



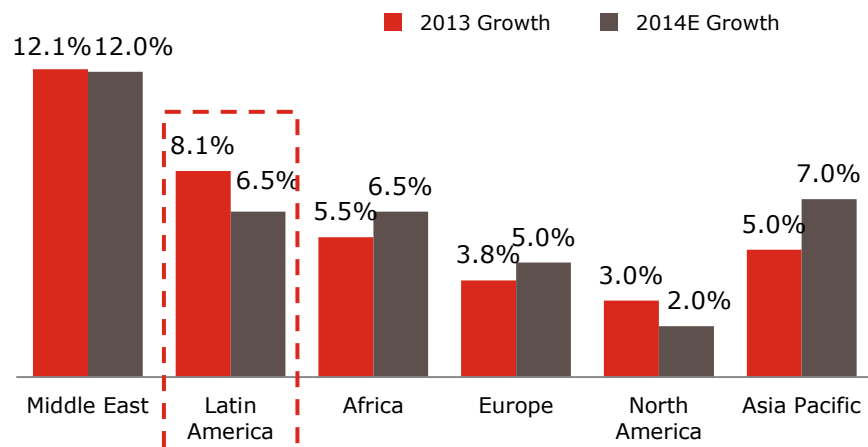
Source: Economist Intelligence Unit, the World Bank, and The Brookings Institution

<sup>1</sup> According to The Brookings Institution, middle class households with daily expenditures between \$10 and \$100 per person in purchasing power parity terms

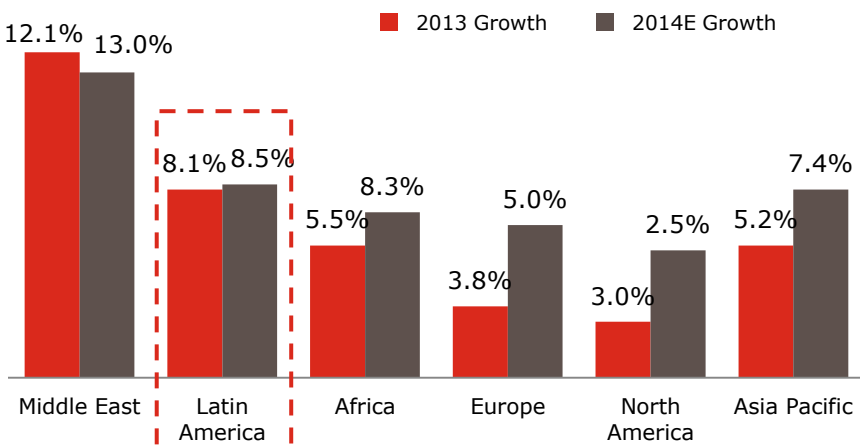


# Latin America's aviation industry is expected to be one of the fastest growing markets in coming years

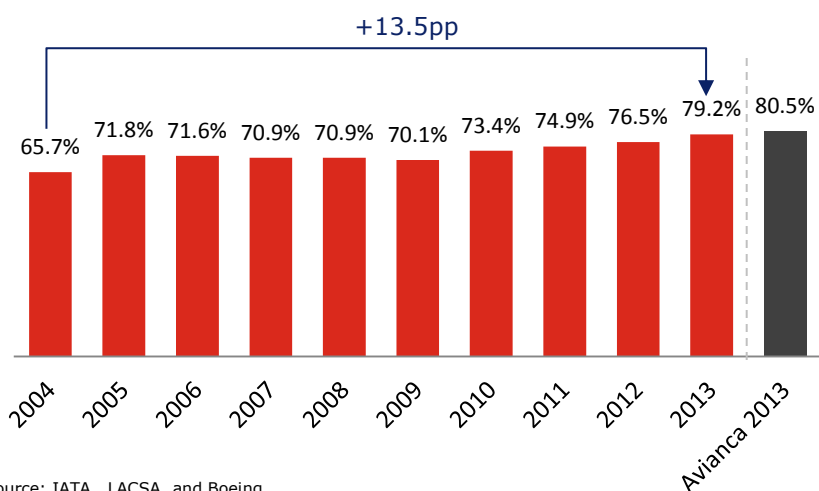
Forecasted RPK growth (%)



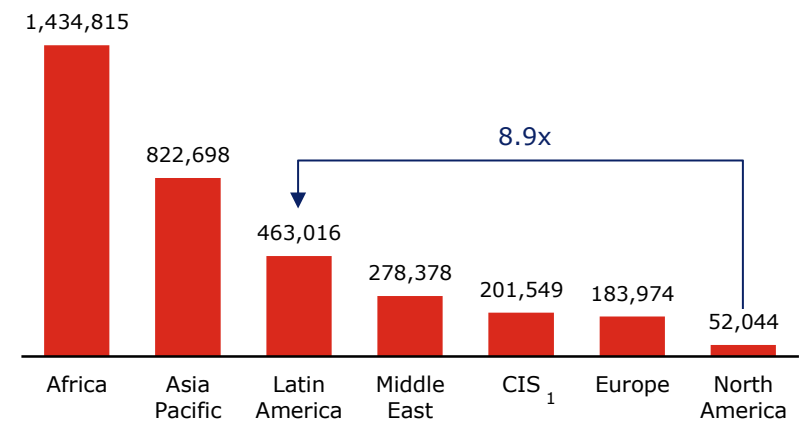
Forecasted ASK growth (%)



Latin American & Caribbean load factor



Population per aircraft



Source: IATA, LACSA, and Boeing  
<sup>1</sup> Commonwealth of Independent States



# Avianca focuses on four main categories to ensure future profitability

1

## Barriers of entry for LCC

- ✓ Leaders in corporate travelers
  - VIP lounges, Miles program, Extensive network
- ✓ Average stage length for optimal LCC operation is 750 miles, COL domestic flights are 180 miles
- ✓ Entrance of Viva Colombia has boosted demand for Avianca flights
- ✓ Up-gauging on current core routes would block LCCs from entering high profit routs

2

## Expansion of Main Hub El Dorado Airport

- ✓ Completion of Renewal of Bogota's El Dorado Airport to be completed during 2014
- ✓ New Airport to have 61 parking positions 33%, increase from today
- ✓ Lima hub currently counts with 13 international and 6 domestic gates as well as 33 remote positions
- ✓ The Salvador Hub will increase the daily usage of its remote positions by 50% (from 16-24)

3

## Flexibility through geographical diversification, three hub strategy

- ✓ Operating a three hub network significantly improves profitability of routes (spill over effect)
- ✓ Avianca's high market diversification minimizes any macro economic downturns impact in one specific market
- ✓ Salvador Hub considerably increases efficiency on reach of Avianca's fleet to the North American market

4

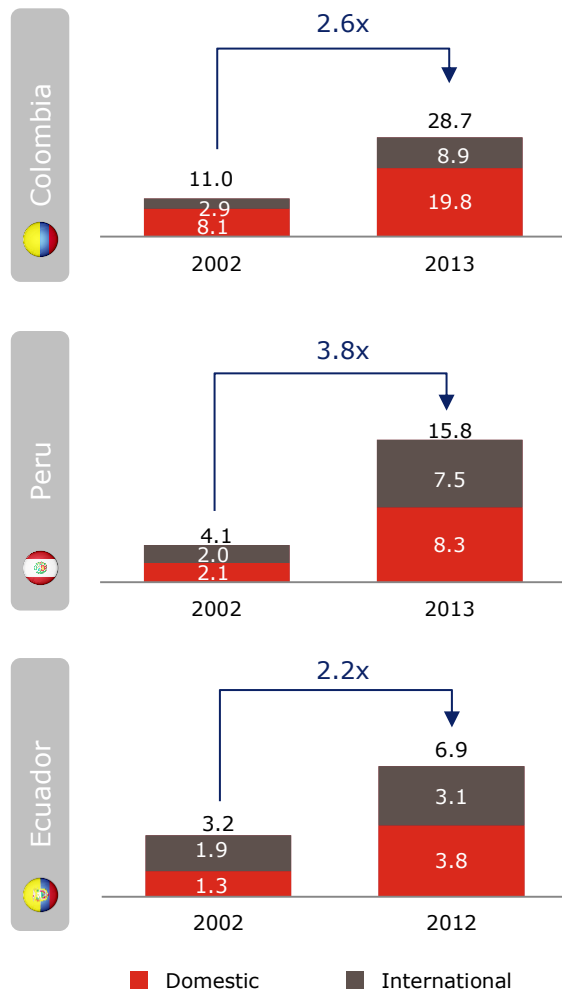
## Revenue enhancing and cost reduction initiatives

- ✓ Fleet interchangeability to increase aircraft utilization by 10%-15% when completed
- ✓ Single website to support positioning of the single commercial code would boost revenues
- ✓ MRO project centralizes Aircraft maintenance, reduce hull checks outsourcing while reducing inventory costs.



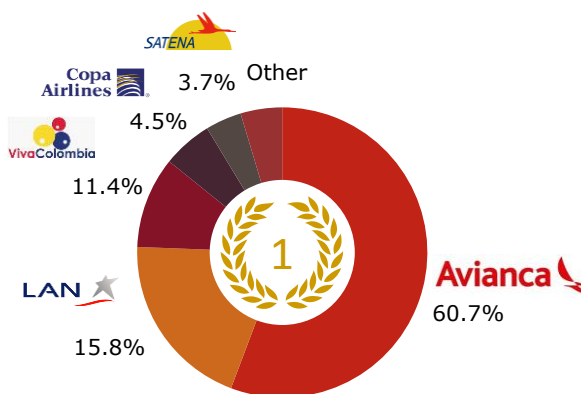
# Avianca, a market leader in its home markets with strong passenger growth trends

## Passenger evolution (mm)

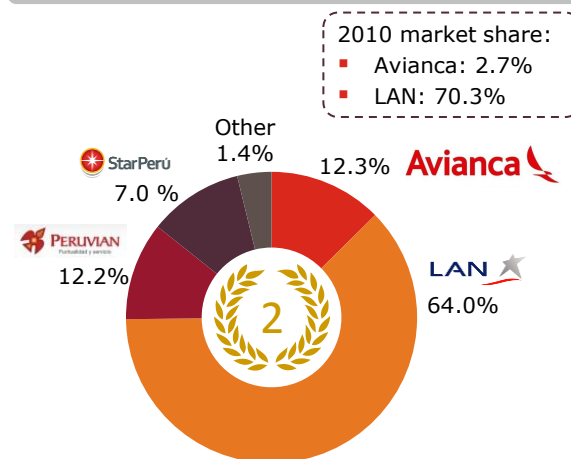


## Market share in selected Avianca markets

### Colombia domestic<sup>1</sup>



### Peru domestic<sup>1</sup>



### Intra-home markets



### Home markets to N. America



### Home markets to S. America



Source: Colombian Civil Aviation Authority, Peruvian Civil Aviation Authority, and Ecuadorian Civil Aviation Authority.

Note: Market share based on number of passengers

<sup>1</sup> As of Jun, 2014;

# Avianca: Proven platform for profitable growth



Successful integration of Avianca and TACA, with additional synergies expected



Multi-hub network & leadership in growing Latin American market



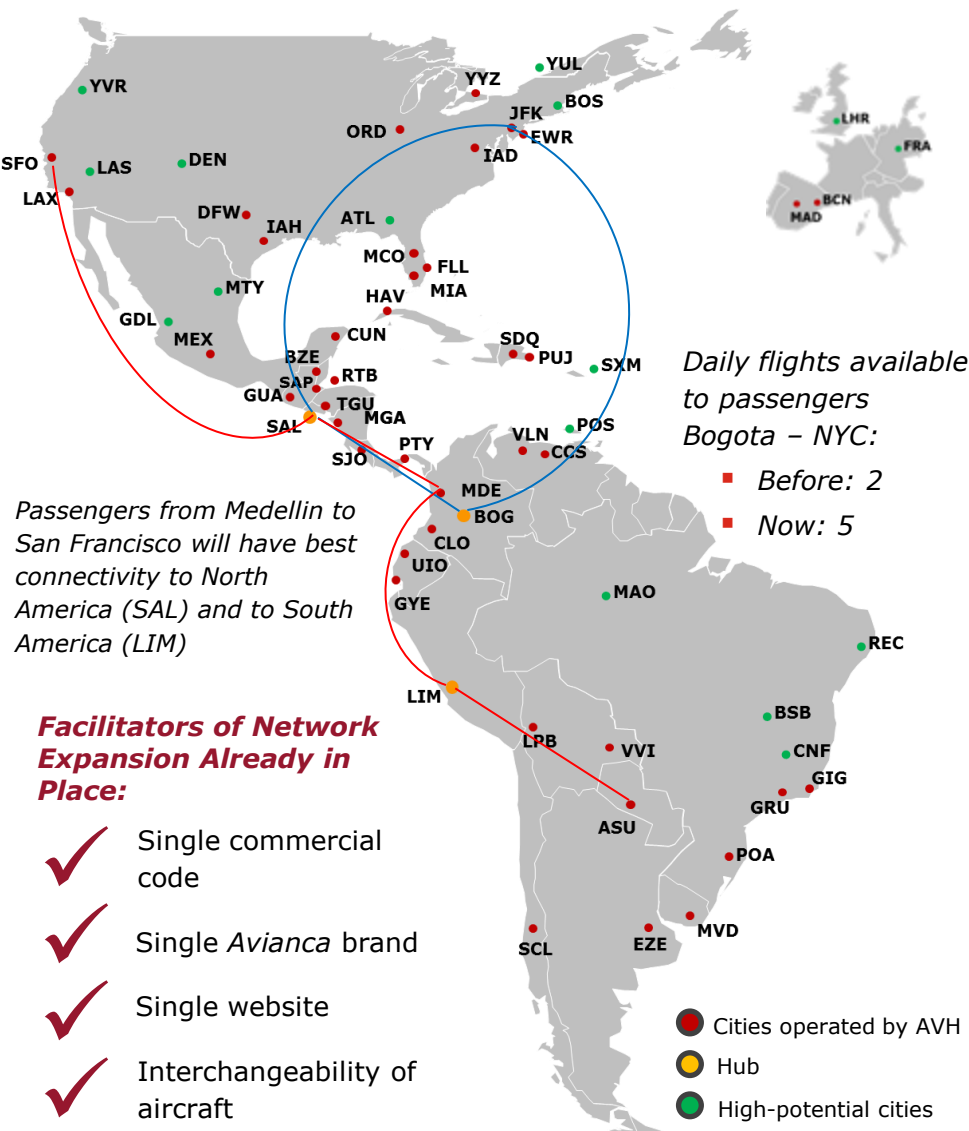
Modern passenger fleet



Diversified sources of revenue



# Single network, single brand, and single code are expected to turbo-charge our growth in the region



We expect to add additional flights to currently un-served high-traffic cities...

- Los Angeles
- Atlanta
- Denver
- Vancouver
- Montreal
- Monterrey
- Frankfurt
- Saint Martin
- Port of Spain
- Manaus
- Brasilia
- Recife
- Belo Horizonte

**...and to optimize our network in the markets we serve...**

- Colombia domestic
- Peru domestic

**...and fully capitalize our alliance members**



STAR ALLIANCE  
**Avianca joined Star Alliance in 2012**

Largest global network in the airline industry

- 27 member airlines
- 194 countries served
- 21,900 daily departures





# Avianca completed a successful fleet optimization process in 2012

## 2010 – 9 families

A330



B737



F100



A320



B767



Regional



E190



MD83



B757



## 2013 – 4 families

10 A330 <sup>1</sup>



99 A320 <sup>1</sup>



12 E190 <sup>1</sup>



29 Turboprop <sup>1,2</sup>



**Jet passenger operative fleet  
average age:**

**5.3 years**

**Total operative fleet age  
(incl. turboprop aircraft)<sup>3</sup>:**

**~6.4 years**

Optimized and more homogeneous fleet



Increased fuel efficiency



Reduced crew and staff training costs



Improved technical dispatch reliability



Reduced maintenance expenses through unified spare parts inventories and maintenance processes

<sup>1</sup> As of December 31, 2013; <sup>2</sup> Turboprop aircraft used for regional routes and consist of ATR42s, Cessna 208s and F27 MK050s; <sup>3</sup> F27 MK050s are being replaced with ATR72s





# Avianca has the youngest jet passenger fleet among Latin American network carriers...

Aircraft jet passenger fleet age in years

We believe a young fleet allows us to achieve:



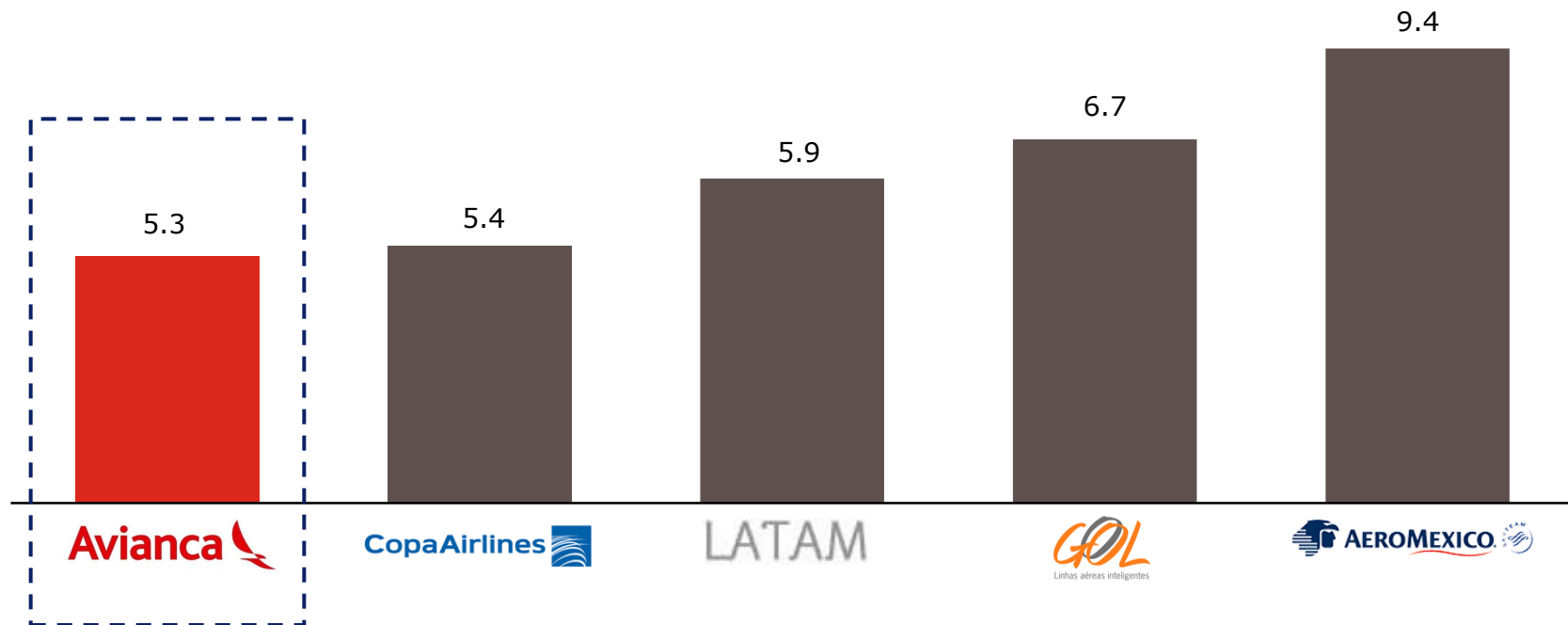
Cost reductions



Improved range and network performance



Superior customer satisfaction



Source: Public filings

Note: Fleet age as of December 31, 2013; other airlines' fleet age as of December 31, 2013



## ...with a fleet renovation plan underway

Future orders create footprint for higher profitability going forward

	2014	2015	2016	2017	2018	2019	Total
<b>B-787</b>	4	3	3	2		3	15
<b>A320s</b>	14	9	8				31
<b>A320 Neos</b>				11	12	10	33
<b>A330F</b>	1						1
<b>ATR72</b>	10	1					11
<b>Total</b>	29	13	11	13	12	13	91

**Boeing 787**



**A320 Neo**



**ATR72**



**A330F**



### Fleet CAPEX financing:

- ~20% Equity and ~80% Debt:
  - Multilateral facilities (ECAS&EXIM): 59%
  - Sale & Lease Back: 41%

### Cost reductions

- A320 Neos: 15% less fuel consumption<sup>1</sup>
- Sharklets: Up to 3% cost savings<sup>1</sup>
- B787s: More fuel efficient than many similarly sized airplanes<sup>2</sup>

### Improved range and network performance

- A320neos provide up to 500nm<sup>1,3</sup> of additional range
- Opportunity to upgate in congested markets

### Increased regional capacity

- ATR72s to replace Fokker 50s

### Increased cargo capacity

- A330Fs: 40% more cargo capacity vs. current fleet

Source: Company, Airbus, and Boeing, <sup>1</sup> Comparisons made against the original A320 family, <sup>2</sup> According to Boeing, <sup>3</sup> Nautical miles

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Multi-hub network & leadership in growing Latin American market



Modern passenger fleet

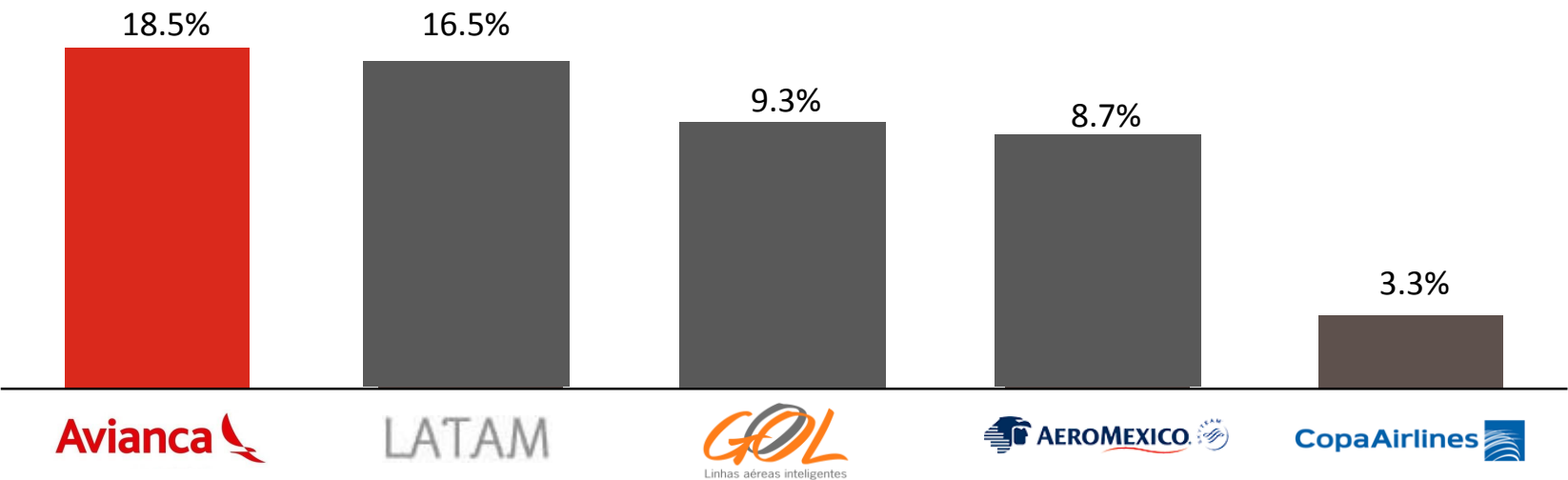


Diversified sources of revenue



# Avianca generates the highest percentage of non-passenger revenues in the region

Non-passenger revenue as % of total revenue



Avianca's other business lines



Source: Public filings  
Note: All metrics are LTM as of June 30, 2013 calculated as results from the twelve months ended December 31, 2012 plus results from the six months ended June 30, 2013 less results from the six months ended June 30, 2012

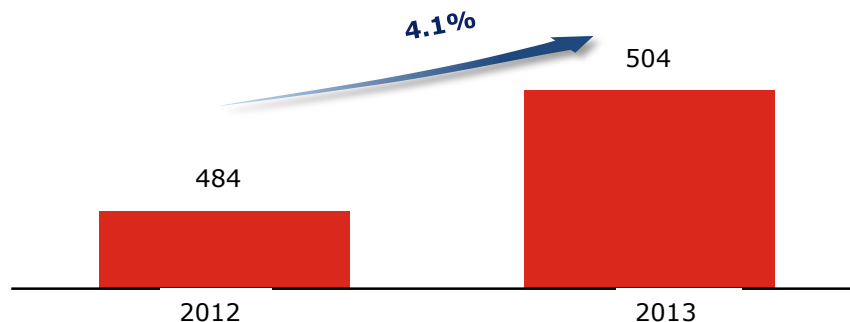


## Further growth opportunities – Cargo

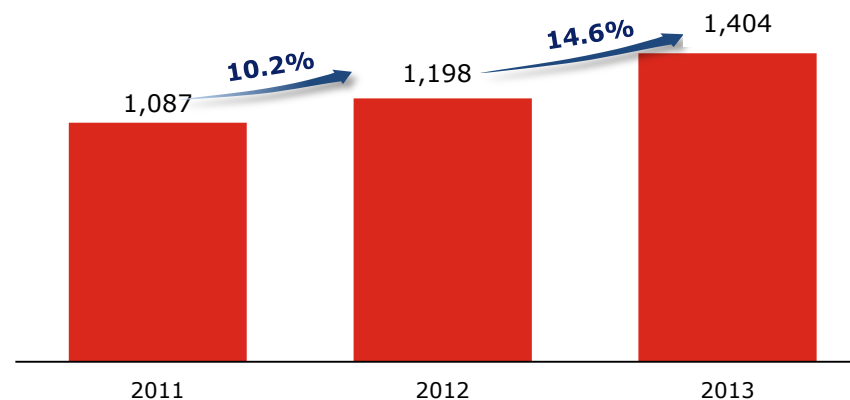
### Avianca Cargo

- Avianca is focused on strengthening its presence in the Latin America cargo market
- Complements passenger business** and diversifies sources of revenue
  - Avianca can carry cargo in the bellies of its passenger aircraft
- New A330Fs** provide attractive opportunity for growth
  - Expand network scope by entering Mexico and Brazil
  - Refleeting program to conclude in 2014
    - 40% more cargo capacity vs. old fleet<sup>1</sup>
    - Results in lower CATK

### Cargo revenues<sup>2</sup> – US\$mm



### ATKs<sup>3</sup> (million)



Source: Company

<sup>1</sup> On a per trip basis; <sup>2</sup> Includes cargo and courier; <sup>3</sup> Available ton kilometers, or ATKs, represents cargo ton capacity multiplied by the number of kilometers the cargo is flown

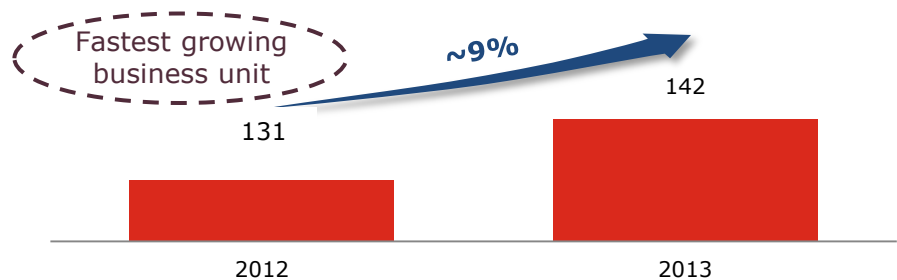


# Hidden value for investors lies in Avianca's Loyalty program - LifeMiles

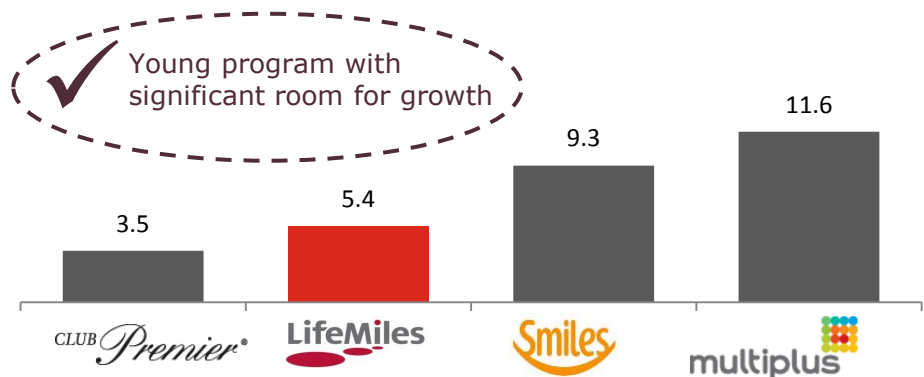
## LifeMiles

- Avianca's frequent flyer loyalty program
- 5.4 million members** as of Dec 31, 2013
  - Members are strategically located throughout region
- ~200 commercial partners**
- 32 co-branded credit and debit card products** in place in eight countries
- Active mileage sales agreements with more than **65 financial institutions**
- The only Latin American program included in the "7 of the top FFPs in the world" by CNN in September 2012

### LifeMiles revenue evolution – US\$mm



### Number of members – millions<sup>1</sup>



We intend to further enhance LifeMiles' revenue growth

- Increase number of active members
- Increase the accrual and redemption of miles per active member
- Strengthen network of commercial partners

Source: Public filings.  
<sup>1</sup> As of June 30, 2013

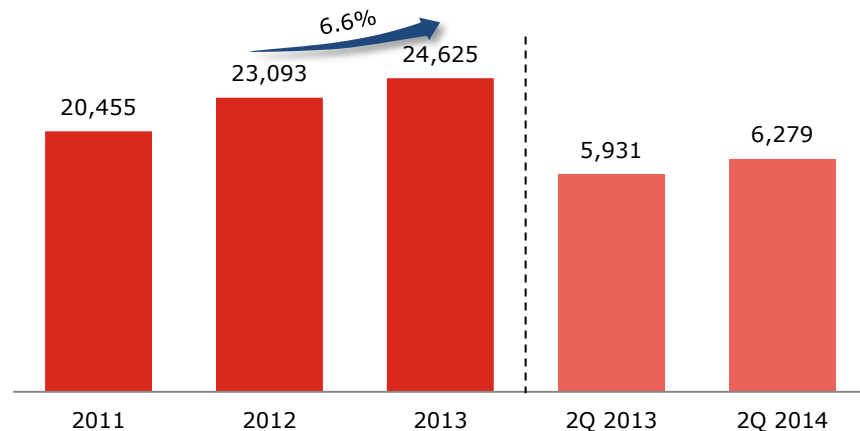


## Financial Results

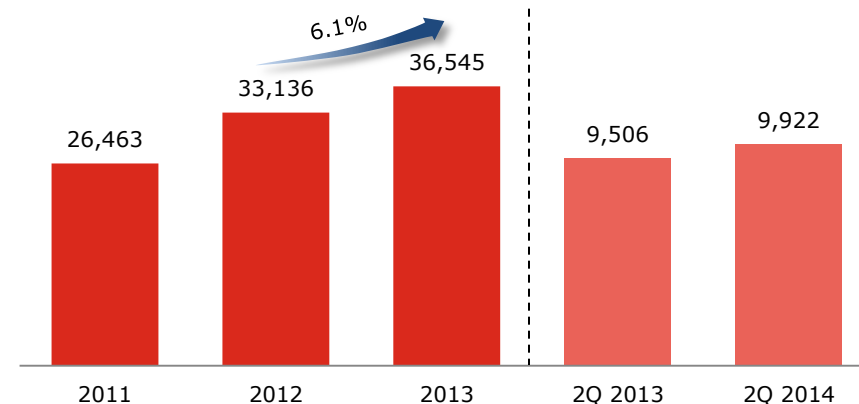


# Passenger segment overview

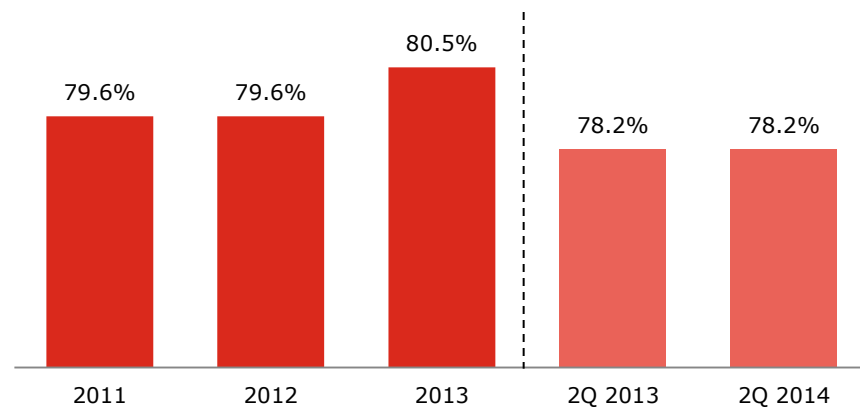
Passengers – 000's



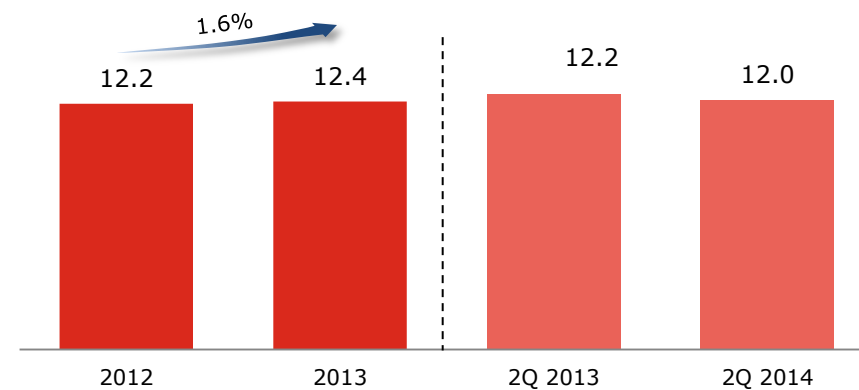
ASKs<sup>1</sup> – million



Load factor<sup>2</sup>



Yield<sup>3</sup> – US¢



Source: Company

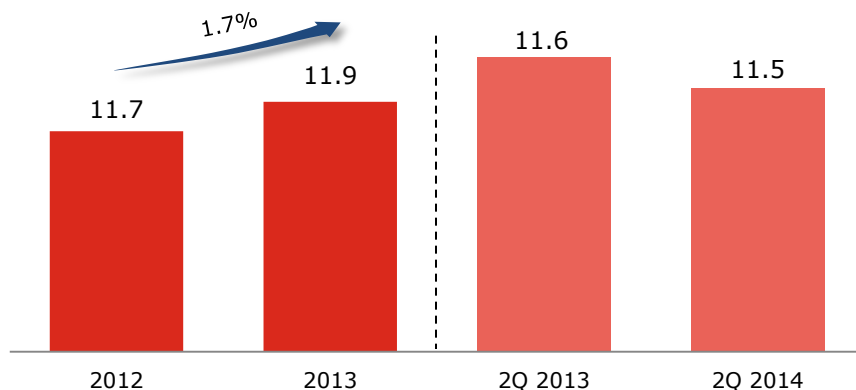
<sup>1</sup> Available seat kilometers, or ASKs, represents aircraft seating capacity multiplied by the number of kilometers the seats are flown

<sup>2</sup> Load factor represents the percentage of aircraft seating capacity that is actually utilized and is calculated by dividing revenue passenger kilometers (RPKs) by available seat kilometers (ASKs)

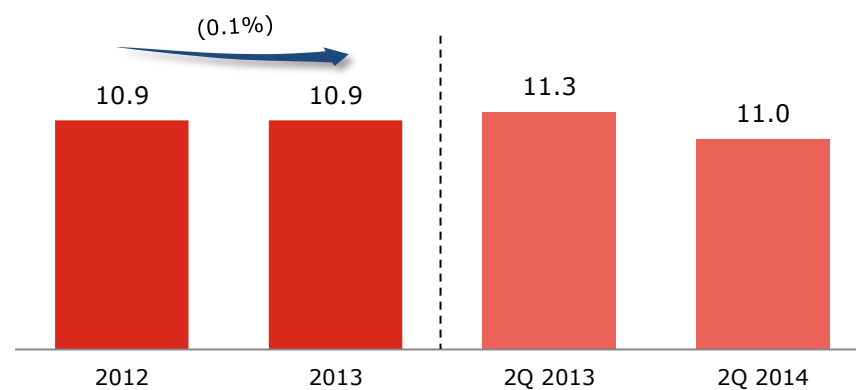
<sup>3</sup> Yield represents the average amount one passenger pays to fly one kilometer, or passenger revenue divided by revenue passenger kilometers (RPKs)

# Consistent unit performance

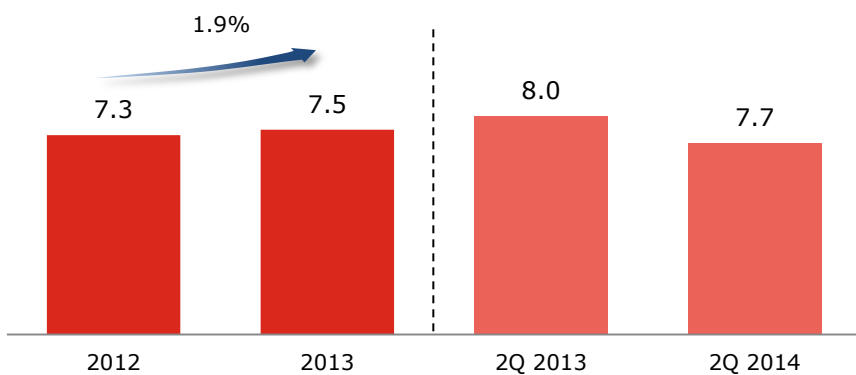
RASK<sup>1</sup> - US¢



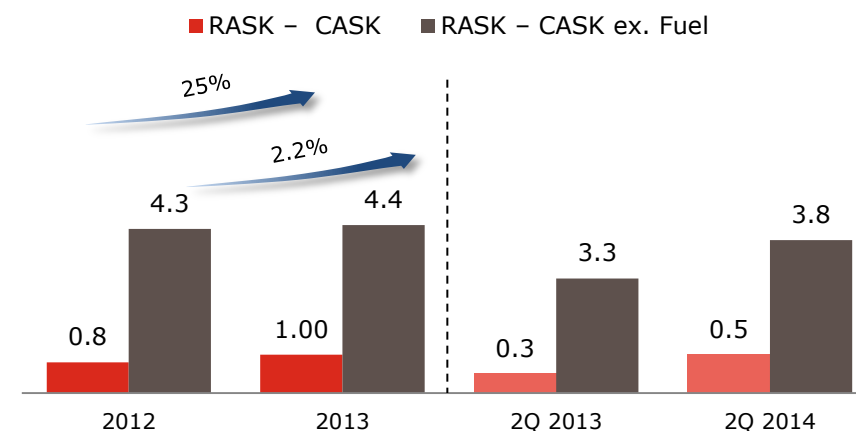
CASK<sup>2</sup> - US¢



CASK excl. fuel<sup>2</sup> - US¢



RASK<sup>1</sup> - CASK<sup>2</sup> spread - US¢



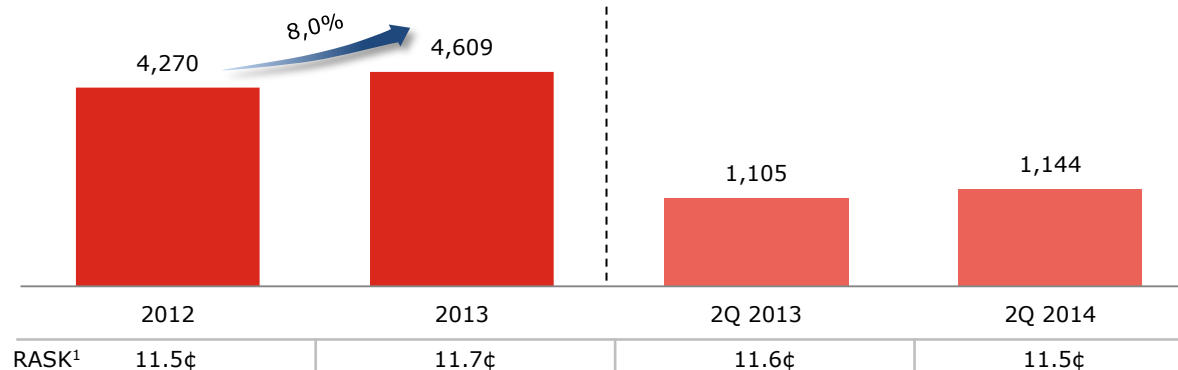
Source: Company

Note: All financial information is in accordance with IFRS

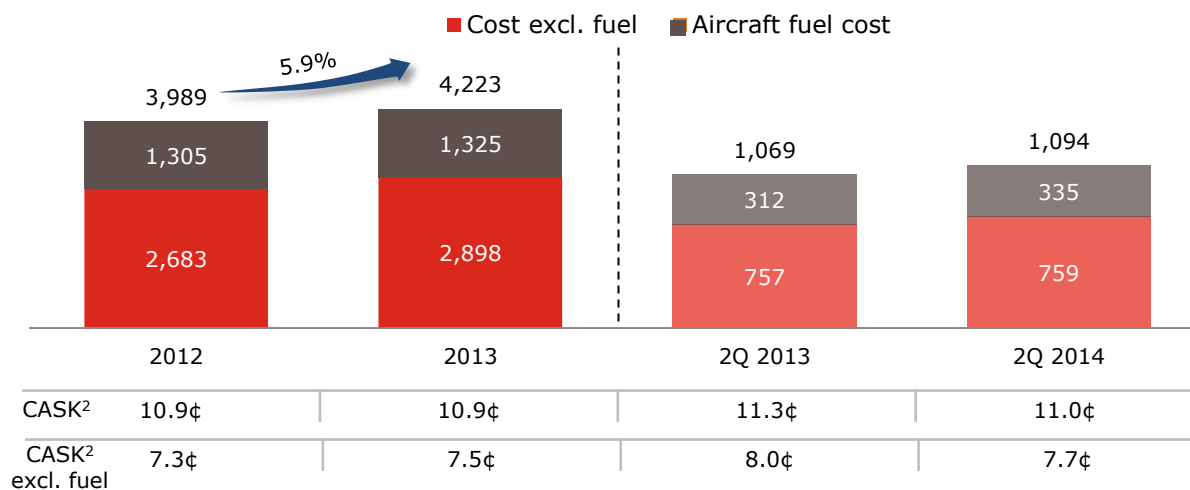
<sup>1</sup> Total operating revenue per available seat kilometer, or RASK, represents total operating revenue of all business lines divided by available seat kilometers (ASKs); <sup>2</sup> CASK represents operating expenses of all business lines divided by available seat kilometers (ASKs) and CASK excluding fuel represents operating expenses of all business lines other than fuel divided by available seat kilometers (ASKs). CASK and CASK excluding fuel consider costs and ASK of the consolidated business

# Financial and operational performance summary

## Revenue – US\$mm



## Cost evolution – US\$mm



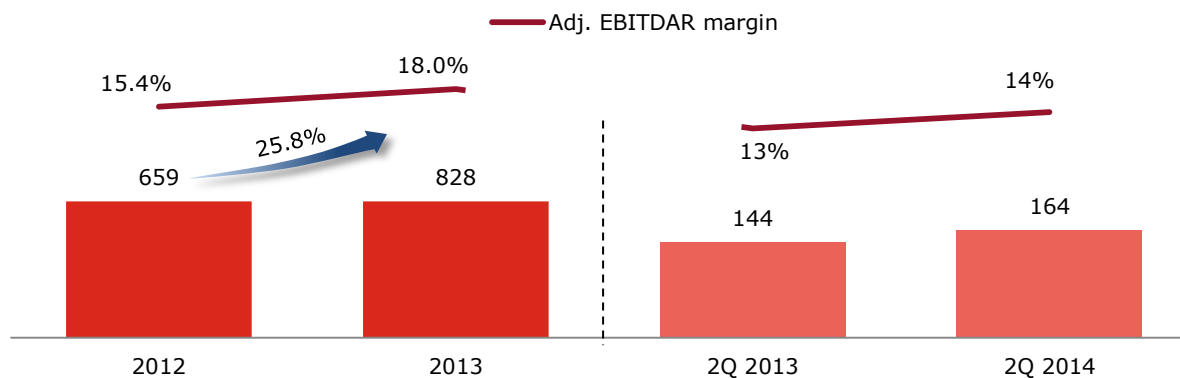
Source: Company

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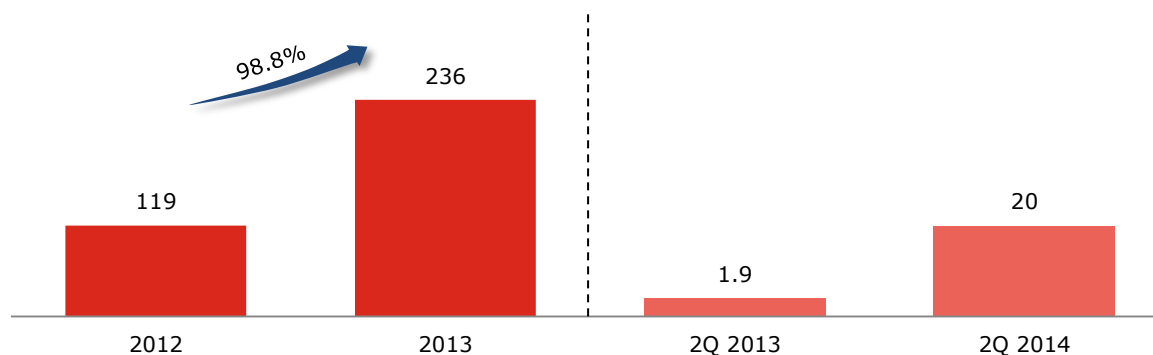
<sup>1</sup> Total operating revenue per available seat kilometer, or RASK, represents total operating revenue of all business lines divided by available seat kilometers (ASKs); <sup>2</sup> CASK represents operating expenses of all business lines divided by available seat kilometers (ASKs) and CASK excluding fuel represents operating expenses of all business lines other than fuel divided by available seat kilometers (ASKs). CASK and CASK excluding fuel consider costs and ASK of the consolidated business

# Financial and operational performance summary

## Adjusted EBITDAR<sup>1</sup> – US\$mm



## Net profit excluding FX and derivative charges<sup>2</sup> – US\$mm



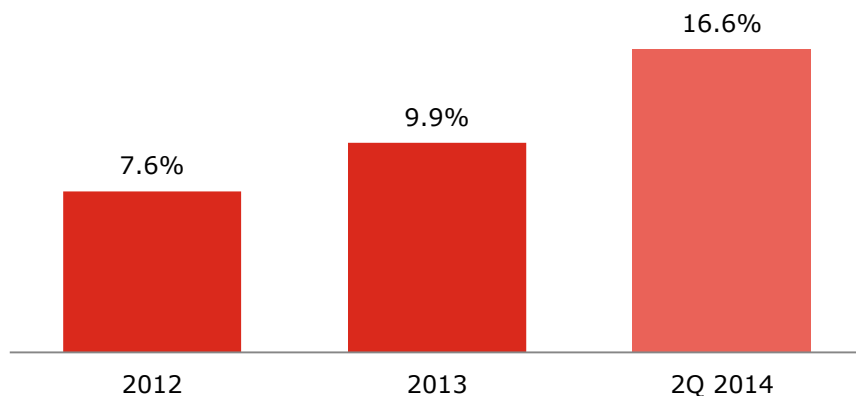
Source: Company

Note: All financial information is in accordance with IFRS

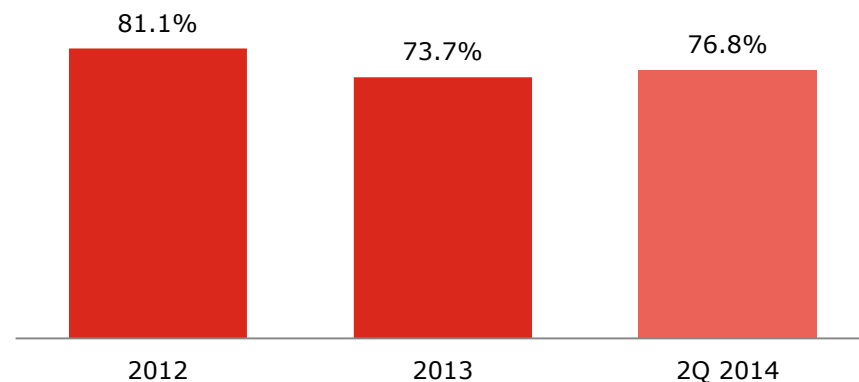
<sup>1</sup> Adjusted EBITDAR calculated as consolidated net profit for the period plus the sum of income tax expense, depreciation, amortization and impairment and aircraft rentals, minus interest expense, minus interest income, minus derivative instruments, minus foreign exchange; <sup>2</sup> Corresponds to net profit excluding foreign exchange and derivative instrument expense

# Solid balance sheet ratios

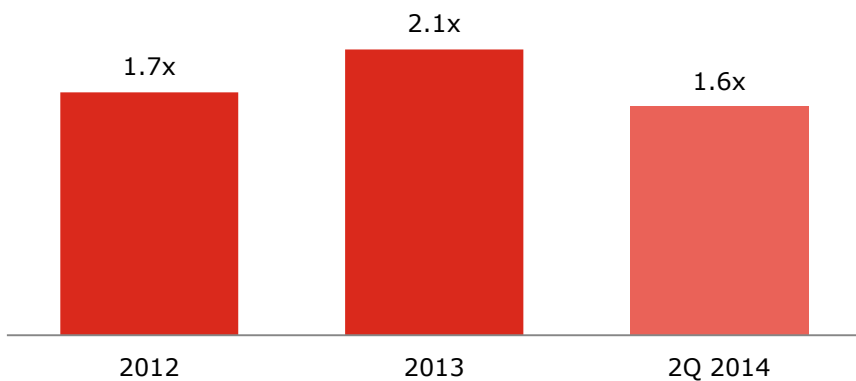
Cash<sup>1</sup> as percentage of revenue



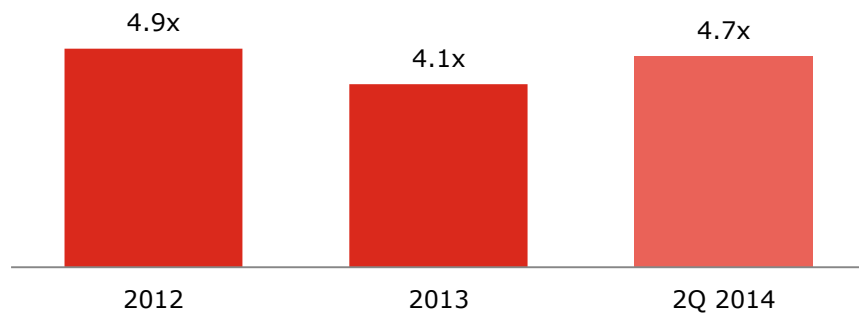
Capitalization ratio<sup>2</sup>



Adjusted EBITDAR – coverage ratio<sup>3</sup>



Adjusted net debt to adjusted EBITDAR<sup>4</sup>



Source: Company

Note: All financial information is in accordance with IFRS

<sup>1</sup> Cash at end of period; <sup>2</sup> Capitalization ratio calculated as adjusted net debt (including capitalized leases at 7.0x) divided by equity value plus adjusted net debt; <sup>3</sup> Adjusted EBITDAR coverage ratio calculated as adjusted EBITDAR divided by the sum of aircraft leases and interest expense; <sup>4</sup> Calculated as net adjusted debt (including capitalized leases at 7.0x) divided by adjusted EBITDAR



Successful combination of Avianca and TACA,  
with additional synergies expected



Multi-hub network & leadership in growing Latin American  
market



Modern passenger fleet



Diversified sources of revenue

## Proven platform for profitable growth

# Reconciliation for Adjusted EBITDAR

This presentation includes certain references to non-IFRS measures such as our Adjusted EBITDAR and Adjusted EBITDAR margin. Adjusted EBITDAR represents our consolidated net profit for the year plus the sum of income tax expense, depreciation, amortization and impairment and aircraft rentals, minus interest expense, minus interest income, minus derivative instruments, minus foreign exchange. Adjusted EBITDAR is presented as supplemental information, because we believe it is a useful indicator of our operating performance and is useful in comparing our operating performance with other companies in the airline industry. However, Adjusted EBITDAR should not be considered in isolation, as a substitute for net profit determined in accordance with IFRS or as a measure of a company's profitability. These supplemental financial measures are not prepared in accordance with IFRS or Colombian GAAP. Accordingly, you are cautioned not to place undue reliance on this information and should note that Adjusted EBITDAR and Adjusted EBITDAR margin, as calculated by us, may differ materially from similarly titled measures reported by other companies, including our competitors.

Adjusted EBITDAR is commonly used in the airline industry to view operating results before depreciation, amortization and aircraft operating lease charges, as these costs can vary significantly among airlines due to differences in the way airlines finance their aircraft and other asset acquisitions. However, Adjusted EBITDAR should not be considered as an alternative measure to operating profit, as an indicator of operating performance, as an alternative to operating cash flows or as a measure of our liquidity. Adjusted EBITDAR as calculated by us and as presented in this presentation may differ materially from similarly titled measures reported by other companies due to differences in the way these measures are calculated. Adjusted EBITDAR has important limitations as an analytical tool and should not be considered in isolation from, or as a substitute for an analysis of, our operating results as reported under IFRS or Colombian GAAP. Some of the limitations are:

- Adjusted EBITDAR does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDAR does not reflect changes in, or cash requirements for, working capital needs;
- Adjusted EBITDAR does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDAR does not reflect any cash requirements for such replacements;
- Adjusted EBITDAR does not reflect expenses related to leases of flight equipment and other related expenses; and
- other companies may calculate Adjusted EBITDAR or similarly titled measures differently, limiting its usefulness as a comparative measure.





# Thank You

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