

2012 Annual Report

AviancaTaca Holding S.A.

Bogotá, Colombia. March 2013

Table of Contents

About AviancaTaca Holding S.A.....	4
History of the Company Airlines	4
Strategic Direction	10
Airlines' Countries of Organization	10
Board of Directors	12
CEO's Letter to the Shareholders	17
2012 Management Report.....	18
World Market Environment.....	18
2012 Performance.....	20
Financial and Operating Results	20
Operating Indicators	20
Significant Events Reported to the Market during 2012	21
Passenger Airlines Investment Results	23
Fleet Renovation	24
Safety, Our Commitment	25
Employee Learning, Progress, Loyalty, and Commitment	26
The Integrated Airlines Improved their Market Positioning.....	27
Standardization Process Progress	32
Cargo Transportation and Courier Airlines Investment Results	34
Cargo.....	34
Deprisa	35
Results for Other Business Lines	36
LifeMiles Corp.....	36
Avianca Tours.....	37
Avianca Services.....	38
Social Responsibility and Sustainability	39
Social Management	40
Environmental Management	40
Corporate Governance	41
Stock Composition.....	42

Main Stockholders	42
Legal Situation	44
2013 Proposals	44
Estados Financieros No Consolidados	iError! Marcador no definido.
Informe de Auditor Independiente	iError! Marcador no definido.
Balances Generales no Consolidados.....	iError! Marcador no definido.
Estados no Consolidados de Resultados	iError! Marcador no definido.
Estados no Consolidados de Cambios en el Patrimonio ..	iError! Marcador no definido.
Estados no Consolidados de Cambios en la Situación Financiera	iError! Marcador no definido.
Estados no Consolidados de Flujos de Efectivo..	iError! Marcador no definido.
Notas a los Estados Financieros no Consolidados.....	iError! Marcador no definido.
Estados Financieros Consolidados.....	iError! Marcador no definido.
Informe de Auditor Independiente	iError! Marcador no definido.
Balances Generales Consolidados.....	iError! Marcador no definido.
Estados Consolidados de Resultados	iError! Marcador no definido.
Estados Consolidados de Cambios en el Patrimonio	iError! Marcador no definido.
Estados Consolidados de Cambios en la Situación Financiera.....	iError! Marcador no definido.
Estados Consolidados de Flujos de Efectivo.....	iError! Marcador no definido.
Notas a los Estados Financieros Consolidados(continuación).....	iError! Marcador no definido.

About AviancaTaca Holding S.A.

AviancaTaca Holding S.A., hereinafter the Company, is a company domiciled in Panama, Republic of Panama, which acts as a holding company for the following companies, among others: Aerovías del Continente Americano S.A. (Avianca), Aerolíneas Galápagos Sociedad Anónima (AeroGal), Tampa Cargo S.A., and for Grupo TACA mainly the airlines: TACA International Airlines S.A., Líneas Aéreas Costarricenses S.A. (known as Lacsá), TransAmerican Airlines S.A (known as TACA Perú), Aviateca S.A., Servicios Aéreos Nacionales S.A. (known as Sansa), along with other regional carriers That offer air services in various countries in Latin America, the United States, and Europe, hereinafter called the Airlines.

In 2012, led by the Company, the aforementioned Airlines continued expanding the route network and air services for travelers and customers whose origin or destination was located in the Western Hemisphere and in Europe. Thanks to the strategies suggested for achieving administrative and operating integration, the Company Airlines are supported by:

- A fleet of 147 last generation aircraft for short, mid, and long range routes for the transportation of passengers and six aircraft devoted to the transportation of cargo. The fleet has been undergoing a simplification and modernization process and is characterized by the comfort of its internal design as well as by its efficiency and performance derived from the cutting-edge technology of its engines and other air navigation components.
- Four passenger hubs located in strategic points throughout the continent, namely, Bogotá, Colombia; San Salvador, El Salvador; San José, Costa Rica, and Lima, Peru. In addition, the Company has centers that operate its freighters in Miami, Florida USA, and Quito, Ecuador.
- A passenger route network integrating more than 100 destinations throughout the Western Hemisphere and Europe, plus 1,300 additional cities around the world, serviced through code-share agreements and interline agreements with other internationally acknowledged airlines that are Star Alliance members.
- A cargo route network to over 15 international destinations in addition to the passenger destinations. That is how the Airlines seek to ensure connectivity between markets with high levels of imports and exports in the region.
- More than 18,000 direct and indirect hires who have been formed and trained in each of the specialized jobs for this complex activity.
- Over 23 million passengers who chose their services to travel in 2012 and continue flying with the Airlines in 2013.
- More than 4.9 million frequent flyers who are members of the LifeMiles loyalty program.

History of the Company Airlines

The Decade of 1910

- 1919 Colombia's flagship Airline was founded on December 5th with the corporate name *Sociedad Colombo Alemana de Transporte Aéreo, SCADTA*.

The Decade of 1920

- 1920 SCADTA received its first Junker aircraft. It later operated twenty-five (25) F-13 aircraft, one (1) Junker W33 aircraft, and one (1) W34 aircraft. In September SCADTA made the first flight from Barranquilla, Colombia to Puerto Berrío, Colombia. Fritz Hammer was the pilot, Wilhem Schnurrbush was the copilot, and Stuart Hosie was the passenger.
- 1921 SCADTA established routes among Barranquilla, Girardot, and Neiva.
- 1929 Regular Girardot - Bogotá routes were established on July 23rd.

The Decade of 1930

- 1931 The airline *Transportes Aéreos Centroamericanos (TACA)* was founded in Tegucigalpa, Honduras.
- 1934 TACA expanded to Central America, establishing itself in El Salvador, Guatemala, Nicaragua, Costa Rica, and Panama and flying with a fleet of 14 aircraft, 10 pilots, and 80 employees.
- 1939 TACA became a strong player in the cargo market, transporting 10,000 metric tons of cargo and 200 metric tons of mail per year.

The Decade of 1940

- 1940 *Aerovías Nacionales de Colombia S.A. – Avianca* was incorporated on June 14, as a result of the integration of SCADTA and the company *Servicio Aéreo Colombiano – SACO*.
- 1943 By this year TACA was already present in Colombia and in Venezuela, integrating the Western Hemisphere from the United States to Argentina.
- 1946
 - o Avianca spread its wings to international skies. The Colombian Airline flew its DC4 and C54 aircraft to Quito, Lima, Panama, Miami, New York, and Europe.
 - o TACA centralized its operations in New Orleans.

The Decade of 1950

- 1956 Avianca took the Colombian delegation to participate in the Olympic Games in Melbourne, Australia. The flight took 61 hours with stops exclusively to provide fuel for the aircraft.

The Decade of 1960

- 1960
 - o Avianca operated its first jet, the Boeing 707-120. During the following eight years Boeing 720B, 727-100, 727-200, and 737-100 aircraft were incorporated.
 - o Salvadorean Ricardo Kriete took over the airline TACA.
- 1966 TACA enters the jet era by acquiring the aircraft BAC1-11 from England.

The Decade of 1970

- 1973 The company *Transportes Aéreos Mercantiles Panamericanos - Tampa Cargo S.A.* was incorporated and started operations transporting flowers to the United States.
- 1974 Tampa Cargo started operating routes outside the United States and carried out the first Medellín-Mexico-Medellín flight. The Colombian Civil Aeronautics Agency (Aerocivil) also authorized the operation of the Medellín-Bogotá-Medellín route.
- 1976 Always at the vanguard, Avianca became the first Latin American airline to operate a Jumbo 747 that was part of its fleet until 1994 (models 747-100 and 747-200B).
- 1979 Tampa Cargo acquired two Boeing 707-320C.

The Decade of 1980

- 1981 Ground services for passengers in Bogotá broadened thanks to the construction and start-up of the modern Avianca Air Terminal, from where the routes to Miami and to New York in the United States and to Cali, Medellín, Pasto, and Montería in Colombia were initially operated.
- 1982
 - o TACA started operations to Houston and to Los Angeles and reinitiated operations to Honduras, specifically to Tegucigalpa.
 - o Tampa Cargo inaugurated the Barranquilla and Cali bases and incorporated two new B-707 aircraft into the fleet.
- 1983 In this year of transition, TACA established its maintenance station in San Salvador, ceased its operations in Guatemala and Costa Rica, and started operations to San Francisco.
- 1986 AeroGal started operations using two Dornier DO-28-D2 aircraft on August 15, providing passenger and cargo air transportation services to and from the continent, including Galapagos Island.
- 1988 Tampa Cargo incorporated the first Douglas DC8 aircraft.
- 1989 By the end of the 1980s and the beginning of the 1990s, TACA led the consolidation of the air industry in the region by acquiring operators such as Lacsá from Costa Rica, Aviatega from Guatemala, Nica from Nicaragua, Sansa from Honduras, and five other regional airlines.

The Decade of 1990

- 1990
 - o Avianca acquired two of the most modern aircraft in the world: the Boeing 767-200 ER, they were given the name of *Cristóbal Colón* (Christopher Columbus) and *Américo Vesputcio* (Amerigo Vespucci).
 - o Tampa Cargo was decorated with the *Cruz al Mérito Aeronáutico* (Aeronautics Merit Award) granted by the Colombian Government.
- 1991 Tampa Cargo acquired the first Douglas DC8-71 F aircraft.
- 1992 Avianca incorporated the first McDonnell Douglas MD83 for passengers into its fleet.
- 1994 The strategic alliance that joined the three most important companies in the Colombian air sector, namely Avianca, Sociedad Aeronáutica de Medellín (SAM), and Helicópteros Nacionales de Colombia (HELICOL), was created and it

was called Sistema Avianca. Fokker 50 aircraft were incorporated into the fleet to operate regional routes.

- 1995 From 1993 to 1995, AeroGal acquired three 40-passenger Fairchild F27 aircraft to serve the routes from Quito to Cuenca, Lago Agrio, and Coca.
- 1996 Tampa Cargo entered into a shareholders agreement with Martinair, a Dutch airline that belonged to the famous KLM group.
- 1997 The group of airlines (Aviateca, Lacsá, Nica, TACA from Honduras, and TACA from El Salvador) officially consolidated under the name of Grupo TACA.
- 1998 TACA Airlines acquired the first A319 and A320 aircraft and started providing Business Class services.
- 1999 By the end of the 1990s, the Ecuadorian Civil Aeronautics Agency (DAC) accredited AeroGal's operation under Standard 121, thus allowing the Airline to obtain the AGL-121-004 Air Operator Certificate.

The Decade of 2000

- 2000
 - o In this year, TACA expanded to South America, using the TACA Perú brand and operating the Hub in Lima.
 - o The hangar for Tampa Cargo was built in Rionegro, Colombia; it was one of the most modern in Latin America.
- 2001 As a result of the 2001 air industry crisis, TACA started a transformation plan focused on renovating its fleet, optimizing the revenue and cost structure, and improving operating excellence.
- 2002
 - o On May 20th, Avianca and SAM, along with Aerolíneas Centrales de Colombia (ACES) created Alianza Summa. In November 2003, the shareholders decided to initiate the settlement of Alianza Summa and aimed their efforts at strengthening the Avianca brand.
 - o AeroGal acquired the first American Boeing 727-200 Advance with a capacity for 149 passengers and the Airline obtained authorization to operate the Quito-Guayaquil route three times a day.
- 2003
 - o TACA started conquering new skies in the Western Hemisphere, opening new flights to various destinations in the United States. Two years later, the Airline started operating the first direct route to and from El Salvador and Peru.
 - o Tampa Cargo celebrated its 30th anniversary. Both its corporate image and its fleet were renovated. Four Boeing 767-200 aircraft were incorporated into the fleet.
 - o AeroGal incorporated a second Boeing aircraft, a 118-passenger 737-200. The Airline was granted the route to Baltra Island, thus becoming the first private Airline to operate that route a frequency of five flights per week.
- 2004 In June, AeroGal incorporated the third Boeing aircraft, a 129-passenger B737-200 the second of its kind. One month later, a third aircraft of the same kind became part of the fleet (the fourth Boeing aircraft in the fleet); it was used on the Quito-Cuenca route.

- In December 2004, Avianca successfully completed its restructuring process conducted under United States Law Chapter 11. Grupo Synergy became the majority shareholder of the Airline.
- 2005
 - o To meet its purpose of attaining regional leadership, Avianca changed its corporate name to *Aerovías del Continente Americano S.A.*
 - o AeroGal incorporated its fourth B737-200 aircraft, for a total of five Boeing aircraft in the fleet.
- 2006 AeroGal received its fifth B737-200 aircraft, for a total of six Boeing aircraft in the fleet. In May, the Ecuadorian Civil Aviation Council granted operations for international flights in the region of the Caribbean – South America and North America. Upon the authorization, three more aircraft were incorporated for a total of nine aircraft, which made AeroGal the Airline with the largest fleet in Ecuador.
- 2008
 - o On February 21st, Avianca acquired its first Airbus A320.
 - o In July, Tampa Cargo became part of Grupo Synergy, also the owner of Avianca. In November it started handling the operation of the cargo compartment capacity in the Avianca aircraft assigned to international flights.
 - o In November, AeroGal incorporated its first Boeing 757 aircraft, to operate the Quito-Miami route.
- 2009
 - o In June, Avianca gained strength in the stock exchange by successfully placing a significant number of bonds.
 - o At the end of the year, TACA started offering flights to and from South American capitals and large cities.
 - o In October, the companies Aerovías del Continente Americano - Avianca, and the TACA Airlines in Central America announced the signature of a shareholders agreement for starting their administrative and operating integration.
 - o On October 7, the intention to unite Avianca and TACA Airlines was officially made public, in order to consolidate their strategic position in the region and boost their growth capability.
 - o AeroGal inaugurated the route to New York and incorporated a Boeing 767 aircraft in December.

The Decade of 2010

- 2010
 - o In February, the Avianca and TACA investors made their strategic union official. Grupo TACA included the airline TACA International, and its holdings in Lacsá, Taca Perú, Aviateca, Sansa, La Costeña, and Isleña. Avianca included Avianca, Tampa Cargo, and AeroGal.
 - o After the integration of the group airlines was made official, they started a thorough administrative reorganization process, as well as a process to integrate their route networks, standardize processes, and capture synergies.

- In April 2010, AviancaTaca Holding announced its intention to purchase AeroGal and in November that airline was incorporated into the group.
- 2011
 - In March, the unified frequent flyer program was launched: LifeMiles.
 - On March 28th, AviancaTaca Holding S.A. issued shares in the amount of COP 500 Billion. The demand for preferential shares without the right to vote surpassed COP 2.8 Trillion, equal to five times the base amount offered.
 - A complete expansion plan was carried out throughout the year, which included 12 new routes and the addition of 155 flight frequencies, thus representing non-stop Avianca and TACA flights to more than 100 destinations in the Western Hemisphere and in Europe, for a total of more than 4,000 flights a week.
 - AeroGal renovated its fleet, standardized its equipment with the rest of the Company Airlines. Thus, the Ecuadorian Airline boasted two Airbus A320 aircraft and six Airbus A319 aircraft for the transportation of passengers.
 - The cargo business strengthening plan started, which included broadening the capacity of warehouses on the ground and of cargo compartments in the air. Along those lines, Tampa Cargo announced the acquisition of four A330-200 Freighters with an individual capacity of up to 70 metric tons; to be incorporated as of December 2012. Tampa Cargo offices were transferred to the new warehouses at the International Cargo Terminal at the Eldorado Airport in Bogotá.
- 2012
 - Avianca signed a purchase order for 51 last generation Airbus A320 Neo aircraft.
 - On June 21st, Avianca and TACA Airlines officially became members of Star Alliance, the world's most important global airline network in terms of daily flights, coverage, and services; this enabled multiplying options and advantages for their travelers.
 - AeroGal became incorporated into the loyalty program LifeMiles.
 - On October 10th, the Company announced its decision to adopt the name Avianca as the sole trademark for the AviancaTaca Holding S.A. subsidiaries Avianca, TACA Airlines, TACA International, TACA Regional, Tampa Cargo, and AeroGal. That will be implemented in 2013.
 - In December, Tampa Cargo received its first Airbus A330-200F exclusively devoted to cargo transportation.

Strategic Direction

The Company's strategic direction is the strategy traced for the passenger and cargo Airlines where it has its greatest investment. That strategy directs its administrative management as controlling company.

Mission

We fly and serve with passion to earn your loyalty

Vision

To be the leading Latin American Airline preferred around the world

- The best place to work
- The best option for customers
- Exceptional value for shareholders

Values

- *Safety*
- *Honesty*
- *Passion and Warmth*
- *One team*
- *Excellence*

Corporate Goals 2012

The 2010-2015 corporate goals set by the Company for the Airlines where it has its most significant investments are:

- **Profitability:** To improve EBIT¹ and diversify the business units to enhance profitability.
- **Strategic Positioning:** To strengthen and optimize the hubs and route networks throughout the domestic markets in Colombia, Central America, Peru, and Ecuador. To increase operating productivity by simplifying and integrating operations under legal and regulatory requirements.
- **Customers:** To consolidate customer service, offering differentiation through our service based on Latin American Excellence and acting as one sole company for our customers.
- **Employees:** To make AviancaTaca the best place to work. To do so, the Company seeks to adopt the Company values as our work pillars. The final goal is to consolidate an in-house culture focused on customer needs.

Airlines' Countries of Organization

¹ EBIT: Earnings before interest and taxes



Board of Directors

The following persons acted as members of the Board of Directors for the period from March 2012 through March 2013:

Germán Efromovich
José Efromovich
Alexander Bialer
Isaac Yanovich
Alvaro Jaramillo
Ramiro Valencia
Juan Guillermo Serna
Roberto Kriete
Joaquín Palomo
Oscar Darío Morales
Marco Baldocchi

Board of Directors Chairman

Roberto Kriete Ávila

Chief Executive Officer and Legal Representative

Fabio Villegas Ramírez

External Auditor

Ernst & Young Audit Ltda.

About the Members of the Board of Directors

Germán Efromovich – Born in Bolivia, a Brazilian citizen whose heart belongs to Colombia, a mechanical engineer graduated from Universidad do Brasil, FEI, in Sao Paulo, Germán Efromovich founded Grupo Synergy, a business conglomerate with diversified business activities, such as investments in hydrocarbons and energy, naval construction, oil services and technical inspections, radiochemistry, radio-therapy medication, agriculture, and aviation.

José Efromovich - Born in Bolivia, a Brazilian citizen whose heart also belongs to Colombia, a civil engineer graduated from the Mackenzie Engineering School in Sao Paulo, Brazil, José Efromovich works with Grupo Synergy, a business conglomerate with diversified businesses, such as investments in hydrocarbons and energy, naval construction, oil services and technical inspections, radiochemistry, radio-therapy medication, agriculture, and aviation.

Alexander Bialer – A Brazilian mechanical engineer graduated from the Aeronautics Technological Institute – ITA – in Brazil, with a Master’s Degree in Systems Administration from the Getulio Vargas Foundation in Brazil, Alexander Bialer’s work experience includes over 40 years implementing systems and doing strategic planning, marketing, mergers and acquisitions, and corporate governance.

Isaac Yanovich Farbaiarz* - A Colombian industrial engineer graduated from Universidad de los Andes in Colombia and from Pittsburgh University in Pennsylvania, USA, with an M.S. in Industrial Management from Institute of Technology M.I.T. in Massachusetts, USA, Isaac Yanovich Farbaiarz was a founding partner and Investment Banking Director of Betainvest S.A., the Executive Vice President of Tecnoquímicas S.A., as well as the President of Invesa S.A., Lloreda Grasas S.A., and Ecopetrol.

Álvaro Jaramillo Buitrago* - A Colombian Business Administrator graduated from Universidad del Norte, Alvaro Jaramillo Buitrago was President of Invercrédito, Avianca, and Bancolombia. In 1997, he founded IQ Outsourcing S.A., a service provision company devoted to Operations Processing Management, using image-based technology.

Ramiro Valencia Cossio* - A Colombian law graduate from Universidad Pontificia Bolivariana and graduate in humanities from Universidad Javeriana, Ramiro Valencia Cossio has worked in both the public sector and the private sector as General Manager of Empresas Públicas de Medellín, Manager of Fábrica de Licores de Antioquia, Chairman of the Comfamiliar - Camacol Board of Directors, and President of the Universidad de Antioquia High Council. He was the Mines and Energy Minister under ex-President Andrés Pastrana, Colombian Ambassador in New Zealand, Governor of the Provincial Department of Antioquia, Acting Mayor of Medellín, and Secretary of Education of Medellín.

Juan Guillermo Serna V.* - A Colombian Business Administrator and Economist with a Master's Degree in Economics from Universidad Nacional de Colombia, Juan Guillermo Serna V. has held different positions in various public and private sector companies. He was President of Organización Terpel SA, Director of Fondo de Garantías para las Instituciones Financieras, Economic Secretary of the President of the Republic's Office, Financial Vice President of Organización Corona S.A., National Budget Director, Auditor for Federación de Cafeteros in New York, and Secretary General of Comisión Nacional de Valores.

Roberto Kriete - A Salvadorean Economist graduated from the University of Santa Clara, California, with an MBA from Boston College, in Massachusetts, USA, Roberto Kriete was President of Compañía de Inversiones del Grupo Kriete that manages domestic and international investments in aviation, real estate, agribusiness, and hotels, among others. He was also Director of Escuela Superior de Economía y Negocios (ESEN) in El Salvador, Deputy Director of the Administration Board of Hotel Real Intercontinental de El Salvador, President of Fundación Gloria de Kriete y de Agape, Member of TELMEX Internacional Board of Directors, and Member of Fundación Carlos Slim Instituto Carso para la Salud Board of Directors. He was the founder of the Mexican airline Volaris and Member of its Board of Directors; Grupo TACA Board of Directors Chairman and Grupo TACA CEO; and President of Asociación Latinoamericana y del Caribe de Transporte Aéreo (ALTA).

Joaquín Palomo* - A Salvadorean Agricultural Economist graduated from Texas A&M College Station, in Texas, USA, Joaquín Palomo has broad experience in banking management, financial planning, organizational structure, negotiation, and process enhancement. He has been Grupo TACA Financial Executive Vice President, Finance Corporate Vice President, and Finance and Administration Director (1987-2010); Marine Midland Bank New York Vice President's Assistant, International Banking Credit Officer, and Manager Vice President (1980-1987); Credit Officer, Corporate Banking Assistant Manager, and Credit Manager for Grupo Desarrollo comprised of Banco Cuscatlán, S.A., Financiera de Desarrollo e inversión, S.A (1972-1980).

Oscar Darío Morales Rivera* - A Colombian Public Accountant graduated from Universidad Javeriana in Cali, Colombia, with a specialization in Finance from the same university, Oscar Darío Morales Rivera currently works as CARVAJAL S.A. Corporate Financial Vice President. He was Managing Partner for Colombia and Board of Directors Chairman for Deloitte America Latina (Colombia), Deloitte & Touche Managing Partner for Central America and the Caribbean, Costa Rica, and Panama (2001-2007). He was also the Arthur Andersen Managing Partner Colombia, Managing Partner Cali, and Auditing and Tax Advisory Manager (1995-2001); the Riopalia Castilla Financial Manager (1992-1995), and the WYETH Financial Manager (1982-1991).

Marco A. Baldocchi Kriete - A Salvadorean Economist graduated from Vanderbilt University in Nashville, Tennessee, USA with a Master's Degree in Business Administration from the Kellogg School of Management in Evanston, Illinois, USA, Marco A. Baldocchi Kriete has been President of several companies in the food and agriculture sector, such as Grupo Prestomar, Pesquera del Sur, S.A. de C.V.; TEFEX S.A. de C.V., and Matas de El Salvador, S.A. de C.V. Likewise, he was President of Desco S.A. de C.V., a real estate company; Director of Aliprac, S.A. de C.V., an institutional food service provider with operations in several countries in Central America; Director of Transactel Inc., a company devoted to BPO and call center services in the United States market. He was also a Director of Banco Agrícola; a Vice President of Grupo Prestomar, and Manager of Citibank, N.A..

*Independent Members of the Board of Directors

Main Executives

Fabio Villegas Ramírez – Chief Executive Officer (CEO) – A Colombian Economist graduated from Universidad Jorge Tadeo Lozano in Bogotá with a Master's Degree in Planning and Development from the London University, and a Master's Degree in Economics from the London School of Economics, after a productive career in both public and private sectors, Fabio Villegas Ramírez became President of Avianca in March 2005. Since February 2010 he has been the AviancaTaca Holding S.A. CEO.

Gerardo Grajales – Chief Financial Officer (CFO) – A Colombian Business Administrator graduated from Universidad ICESI in Cali with a Master's Degree in Finance from the University of Baltimore in Maryland, USA and a Specialization in Marketing from EAFIT, Gerardo Grajales started working in Avianca on May 20, 2002, as Financial Vice President and since February 2010 he has been the AviancaTaca Holding S.A. Chief Financial Officer. Before working in the airlines sector, he was a Director of Gillette de Colombia, of Laboratorios Baxter, and of Centrales Térmicas de Cartagena.

Estuardo Ortiz - Chief Operating Officer (COO) – A Guatemalan Industrial Chemical Engineer graduated from Universidad Rafael Landívar (Guatemala) with an MBA and a Specialization in Productivity from Universidad Francisco Marroquín (Guatemala), before the merger of Avianca and TACA, Estuardo Ortiz was TACA Airlines Chief Operating Officer (2009), Commercial Vice President (2006-2008), and Sales Vice President (2005). Since February 2010 he has been the AviancaTaca Holding S.A. Chief Operating Officer.

Elisa Murgas de Moreno- General Counsel – A Colombian Attorney graduated from Universidad Santo Tomás de Aquino with a Specialization in Commercial Law from Pontificia Universidad Javeriana in Bogotá, Elisa Murgas de Moreno is Avianca and AviancaTaca Holding S.A. General Counsel and Legal Representative. She started working in Avianca in 1986 as an Attorney for the Legal Vice President's Office and then worked as Chief of the Labor Division (1986-1995), Labor Legal Director (1995-1999), Acting Secretary General, and Secretary General (2010). Since March 2010 she has been AviancaTaca Holding S.A. Secretary and since March 2011 she has been its Legal Representative.

Board of Directors Committees

The Board of Directors established the following Committees:

- **Audit Committee.** Established to support the Board of Directors for monitoring the effectiveness of the Company's internal financial control system, internal control system, risk assessment system, and the system to assess the Company's relations with its subordinates, it is also responsible for ensuring the integrity of the financial statements, compliance with the legal requirements regarding the public stock exchange regulations, and the suitability and independence of the External Auditing, as well as for approving the internal auditing procedures and supervising compliance thereof.

Members

Oscar Darío Morales (Chairman)
Isaac Yanovich
Juan Guillermo Serna (Financial Expert)
Joaquin Palomo

- **Financial Committee.** Established to follow up on the Company's financial performance as well as its associated risk management, it is responsible for analyzing the capital and indebtedness structure and for giving recommendations to the Board of Directors thereon.

Members

Germán Efromovich
Alvaro Jaramillo
Juan Guillermo Serna
Joaquin Palomo

- **Human Resources and Remuneration Committee.** Created to establish the model and strategy for developing and handling human resources, it is responsible for recommending the basic policy and corporate objectives and goals regarding Company personnel remuneration.

Members

Roberto Kriete
Jose Efromovich
Ramiro Valencia
Marco Baldocchi

- **Investment Committee.** Established to supervise the decision-making and preparation process required for making Strategic Investments.

Members

Alexander Bialer
Alvaro Jaramillo
Isaac Yanovich
Juan Guillermo Serna
Marco Baldocchi

CEO's Letter to the Shareholders

Dear Shareholders:

With this report, I am pleased to render account of the management and the results obtained in the year 2012 in the different business fronts handled by AviancaTaca Holding S.A.

As in the past three years, this past fiscal year was marked by developing strategies aimed at consolidating a customer-based service culture as well as by simplifying the corporate structure aimed at reducing complex operations and making the Group company processes more efficient.

Along those lines, we highlight certain achievements such as updating and standardizing the work systems, reorganizing resources seeking to properly satisfy the needs of the different market niches, consolidating the business units, and achieving the highest standards for the maintenance, operation, and service of the complex system that supports the take-off and landing of more than 700 daily flights using the Company aircraft.

A particularly significant achievement was the official entrance of Avianca and TACA into Star Alliance, the world's most important global airline network regarding daily flights, international connectivity, and assistance at more than 1,000 airports throughout the five continents, which resulted in a great enhancement of LifeMiles frequent flyer services.

Due to all of the above, the organization remained the leader in domestic and international markets in its area of influence, as well as number one in flight experience indicators. In 2012, both Avianca and TACA were praised in different expert forums for the progress made in coverage, incorporated technologies on the ground and in the air, as well as for creating and implementing services and innovations that satisfy the most demanding users.

Finally, it is worth mentioning that these results are the fruit of the efforts made by our team made up of more than 18,000 employees who are highly committed to the Company service mission.

My best regards to the Company Shareholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'Fabio', with a stylized flourish at the end.

FABIO VILLEGAS RAMÍREZ, CEO

2012 Management Report

Report to the General Shareholders Assembly by the Board of Directors, the CEO, and the other Administrators

Dear Shareholders:

The Board of Directors, the CEO, and the other administrators hereby present the report on the activities forwarded during 2012 and the results obtained by the Company on the various investment fronts.

World Market Environment²

Pursuant to the report by the International Air Transportation Association (IATA), 2012 results showed a 5.3% increase in passenger demand, recording a slight reduction as compared to the 5.9% increase obtained in 2011. It is worth highlighting that 5.3% is above the average growth for the past 20 years, which is 5%. Likewise, IATA reported a 1.5% decrease in air cargo transportation.

In spite of high fuel prices, the 2012 air industry results were estimated at USD 6.7 Trillion (COP 12,046 Trillion), the result of the growth and high utilization of aircraft fleets.

The passenger airline load factor registered a new record of 79.1%. Emerging markets drove the growth with 6.0% of international markets and 4.0% of domestic markets.

A 1.5% drop in the demand for air cargo transportation marked the second consecutive year of decrease for this sector, following a reduction of 0.6% in 2011. The cargo load factor was 45.2%.

International Passenger Demand

International passenger demand increased 6.0% in 2012, with an outstanding growth in emerging markets in the Middle East (15.4%), Latin America (8.4%), and Africa (7.5%).

Latin American airlines held second place for growth (8.4%); they were favored by an increase in revenues and a drop in unemployment in the region, especially in Brazil. Capacity expanded more slowly than demand (7.5%) and the load factor reached 77.9% during the year.

European carriers expanded traffic with 5.3%, a result much lower than the 9.5% growth the year before, generated by the long-range journeys made by the airlines in the European zone. Capacity increased 3.1% and the load factor reached 80.5%. Thanks to a combination of the operation itself and of other benefits derived from industry consolidation, European airlines showed stronger financial results than expected considering the difficult economic conditions in the region.

² IATA (January 31st, 2013). Passenger Demand Grew as Air Cargo Declined in 2012. Retrieved on February 12th, 2013, from <http://www.iata.org/pressroom/pr/Pages/2013-01-31-01.aspx>

North American airlines reported the least growth with 1.3%, much less than the 4.1% reported in 2011. The processes of restructuring, consolidation and capacity management dropped 0.3%, resulting in a load factor of 82%.

Middle East airlines contributed almost one third of the total international passenger market growth, 15.4%, much greater than the 8.9% recorded in 2011. That was the result of a 12.5% increase in capacity and an average load factor of 77.4%. The companies in the region increased their hub connectivity, recording significant increases both in the network (destinations) and in flight frequency to destinations already served.

Pacific Asia airlines recorded an increase in passengers of 5.2% in 2012, better than the 4.0% shown in 2011 when the market was affected by the tsunami in Japan. Therefore, its 2012 performance was in line with the world average, contributing to the total growth of the industry. The expansion of capacity was only 3.0% during the year, maintaining the average load factor at 77.5%.

Africa airlines boasted a year of solid growth. The economic expansion of the continent encouraged a traffic demand of 7.5%, inasmuch as capacity increased 7.1%, thus enhancing the load factor, 67.1%, although it remained the lowest of all of the regions.

The Cargo Market

The cargo air transportation market continued downward for the second consecutive year, recording a drop of 1.5% in 2012, greater than the 2011 drop of 0.6%. According to analysts, this front has been affected by a deceleration in world trade growth as well as by a change in the transportation modality for the different types of merchandise, thus encouraging shipping by sea.

Notwithstanding this decline in the cargo air transportation market, operator capacity increased 0.2% during the year and the load factor was 45.2%.

2012 Performance

The 2012 results of the management of the Company Airlines are presented below. We highlight the public announcements made regarding strategic events, such as:

Adopting the Avianca Brand as the Sole Trademark for the Company Airlines

After thorough market research and analysis conducted with the acknowledged world marketing firm Lippincott, choosing the Avianca brand as the sole trademark for the AviancaTaca Holding S.A. airlines was announced in October 2012.

The Avianca trademark will apply to Aerovías del Continente Americano S.A. (Avianca) and Tampa Cargo S.A. organized in Colombia; to Aerolíneas Galápagos Sociedad Anónima (AeroGal) organized in Ecuador; and to Grupo TACA airlines, namely, TACA Internacional Airlines S.A. organized in El Salvador, Líneas Aéreas Costarricenses S.A. (Lacsa) organized in Costa Rica; Transamerican Airlines S.A. (TACA Perú) organized in Peru; and Aviateca S.A. organized in Guatemala.

***Excelencia Latina* (Latin American Excellence), the Spirit of the New Avianca**

The consolidation of the business activities under the Avianca brand represents a new opportunity to achieve integration objectives aimed at providing a safe, friendly, effective service to travelers in the region and throughout the world who day after day choose to fly on the route network of the AviancaTaca Holding S.A. airlines.

Financial and Operating Results

AviancaTaca Holding S.A. financial results corresponding to 2012 reflect a sustained growth resulting from the expansion and consolidation strategy initiated by the organization.

From January through December 2012, Avianca, TACA, and their subsidiaries recorded an operating income of COP 7.6 Trillion, 8.3% greater than the operating income obtained in 2011. This variation in operating income amounts represents 10.7%, excluding the special adjustments made in 2011 and 2012. The operating profit for the period was COP 506.889 Billion.

Along those lines, the 2012 EBITDAR (earnings before interest, taxes, depreciations, amortizations, and rent payment for aircraft) was COP 1.3 Trillion and the net profit amounted to COP 351.684 Billion, 73.9% greater than the figure recorded in 2011.

Operating Indicators

As a result of actions aimed at making the route network complementary, and at achieving fleet optimization and hub integration, the Company's operating performance was stable. Thus, in keeping with a 10.3% increase in ASK capacity (seats available per flown kilometer), passenger traffic RPK capacity

(passengers paid per flown kilometer) also recorded a 10.3% increase. The average load factor was 79.6%.

Significant Events Reported to the Market during 2012

Change in Accounting Rules for Company Financial Statements to Be Presented as of 2013

For the purpose of presenting financial information to the investment market, using international standards comparable to those of other companies with a similar business purpose, as of January 1st, 2013, AviancaTaca Holding S.A. ceased using Colombian accounting rules for preparing its financial statements and changed to International Rules for Financial Information (IRFI), which are accepted in the Republic of Panama, the country in which the Company was organized.

Change in Accounting Methodology

During a meeting held in July 10th, 2012, the Board of Directors authorized its subordinate companies, namely, Aerovías del Continente Americano S. A. Avianca, Tampa Cargo S.A., Aerolíneas Galápagos Sociedad Anónima (AeroGal), and the Grupo TACA airlines, to make a change in estimating their maintenance costs and the appraisal of liabilities related to their frequent flyer programs, effective as of June 30th, 2012.

The change in estimating maintenance costs consists of going from recording reserves to cover future maintenance of the main aircraft components to capitalizing the repairs when they are made, according to industry experience and practice, in order to perform monthly amortizations based on the use given to such components.

Furthermore, the overhaul costs to be incurred in at the time of returning leased aircraft will be reserved as of the moment when the contractual obligation to return the aircraft in the agreed-upon condition arises, based on the use of its components.

The change to be made regarding the liabilities related to the frequent flyer program consists of going from estimating liability based on variable costs per mile to estimating the value of the miles in accordance with air industry models and international accounting practices, based on the fair market price per mile.

Incentive Plan

In a special meeting held on January 27th, 2012, the Board of Directors authorized the implementation of an Incentive Plan (payment of special bonuses or Bonuses), associated with the behavior of the price of the Company preferential stock traded on the Colombian Stock Exchange. The benefit plan will cover the Company Board of Directors members and executives down to Division Directors, hired at December 31st, 2011, as Initial Beneficiaries, as well as certain directors contracted after that date, as Additional Beneficiaries.

This benefit plan replaces the preferential stock option program reported to the market in the Share Placement Prospectus and as pertinent information on June 24th, 2011, which will not be carried out. Unlike the initially approved structure, this scheme does not entail stock issuance.

The plan will be effective for five years as of its date of implementation.

Corporate Structure Simplification

In a meeting held on July 10th, 2012, the AviancaTaca Holding S.A. Board of Directors authorized the start-up of a project to simplify its corporate structure through a company reorganization of several of its subsidiaries domiciled in different jurisdictions. The company reorganization includes new domicile and/or merger and/or transformation and/or settlement operations.

The project will take two years and will be forwarded in stages pursuant to the convenience and viability analysis made with the legal counsels in each company's country of organization.

The purpose of this initiative is to simplify the structure in order to reduce complexity and to achieve greater corporate efficiency. Therefore, the reorganization does not have an economic impact on, or entail significant changes in, AviancaTaca Holding S.A.'s control over its subsidiaries.

The companies included in the structure simplification project are listed below.

Country	Company
Ecuador	Admistra S.A.
Colombia	Aerocash S.A.
Costa Rica	Aeroser S.A.
Bahamas	Airlease One Ltd.
Bahamas	Airlease Nine Ltd.
Panamá	Airload S.A.
Costa Rica	ARM Trescientos Veinte S.A.
Panamá	AVSA Properties Inc.
EEUU	Cargo Development Inc.
Costa Rica	Consultora Baktel S.A.
Puerto Rico	Costa Rica Overseas Inc.
Ecuador	Despachos Aéreos Rápidos Istarú S.A. (DARISA)
Ecuador	Deveze S.A.

Investments in other Companies

AviancaTaca Holding S.A. and Aerovías del Continente Americano S.A. (Avianca), as Seller, entered into a purchase agreement dated July 3rd, 2012, for the purchase of 160,000,000 shares of the Ecuadorean company Aerolíneas Galápagos Sociedad Anónima (AeroGal). Those shares represent 80% of the Ecuadorean company's outstanding shares, so it will become a direct subsidiary of theirs, representing an investment equal to 99.62% of the total outstanding shares of that company.

For AviancaTaca Holding S.A., the value of this transaction does not represent an investment of more than 5% of the item "Investment" under Assets.

The transaction was made using the accounting value of the investment recorded by Avianca at the May 31st, 2012 cut-off, corresponding to USD 5,780,622, equal to COP 11.195 Billion. Payment will be made by the buyer maximum 30 days after the transaction date.

The transaction represents 1.4% for Avianca and 1.1% for AviancaTaca Holding S.A. of the item "Investment" under Assets.

As a result of this transaction, AviancaTaca Holding S.A.'s share in the Ecuadorean airlines is 99.62%.

Passenger Airlines Investment Results

AviancaTaca Holding S.A. owns direct and/or indirect investments in Aerovías del Continente Americano S.A. (Avianca) and Aerolíneas Galápagos Sociedad Anónima (AeroGal), as well as in the Grupo TACA airlines: TACA International Airlines S.A., Líneas Aéreas Costarricenses S.A. (Lacsa), TransAmerican Airlines S.A. (TACA Perú), Aviateca S.A., and Servicios Aéreos Nacionales S.A. (Sansa), which mainly focus on passenger transportation.

It is worth highlighting the incorporation of 17 new Airbus aircraft into the Company passenger Airlines. With that equipment, the Organization continues to progress in its maintenance, operation, and customer service standardization process.

In parallel to the fleet modernization process, significant resources were devoted to the development of the passenger service strategy. Along those lines, the following actions were taken:

- 14 new routes were opened to complement the Latin America connection network, namely, five new routes in Colombia, two new routes in Peru, five new routes from Colombia to Peru, Brazil, Cuba and El Salvador, and two new routes from El Salvador to Mexico and Ecuador.
- Avianca and TACA met the requirements to become Star Alliance members, effective in June.

- Strategic assistance processes were standardized, such as the reservation systems, airport check-in, and revenue management processes, among others, which have facilitated integrating and complementing the services throughout the passenger route network.

The Airlines have focused on making a difference in passenger service, giving priority to standardizing customer policies and processes.

In line with the ongoing improvement process, for the fourth consecutive year TACA Skytrax honored TACA awarding it "Best Airlines in Central America and the Caribbean" and "Excellence in Service".

Likewise, Avianca was a finalist in the categories "Best On-board Publication", "Best Entertainment Experience On-board", and "Best in the Western Hemisphere" (that also included TACA) at the Passenger Choice Awards that counts the votes of more than 18 million passengers throughout the five continents.

Afterwards, the E-commerce Awards granted avianca.com the "Best Internet Site" award and both airlines were granted the Ibero-American Award for "2012 Best Customer Service through Social Networks" due to the quality of their virtual community services.

At the end of the year, business travelers surveyed by the magazine *Business Traveler* expressed their preferences based on their travel experiences around the world; they chose Avianca as "Best Latin American Airline". They highlighted the efforts that the company made to be at the vanguard in routes, proximity, incorporation of technologies, and new categories of services to satisfy the most demanding customers.

Fleet Renovation

During 2012, significant progress was made in the fleet modernization process, incorporating 17 new aircraft.

Avianca incorporated three Airbus A320 aircraft, two Airbus A319 aircraft, and one Airbus A330 aircraft into its fleet. TACA Airlines incorporated four CESSNA aircraft, four Airbus A320 aircraft, two Airbus A319 aircraft, and one Airbus A330 aircraft into its fleet. That A330 was used to begin operations with wide cabin aircraft in TACA Perú, which proves the Company's commitment to the expansion of its services from the Lima Hub.

Along those lines, and continuing with the strategy to optimize resources and better its offer, an A320 aircraft was transferred from AeroGal to Avianca's fleet.

At the end of the fiscal year, the AviancaTaca Holding S.A. Board of Directors approved a project aimed at modernizing the Turboprop fleet devoted to regional operations. As a result, the Company announced its firm commitment to purchase 15 ATR72-600 aircraft and the acquisition rights for 15 additional aircraft of the

same kind, which will replace the Avianca Fokker F50 fleet and the TACA ATR 42-300 fleet. The last generation 68-seat capacity ATR72-600 aircraft are quite efficient as they represent a decrease in fuel consumption and reduced maintenance costs.

At December 2012, the Airlines had 147 passenger transportation aircraft in the Fokker 50, Cessna, ATR42, Embraer, and Airbus families. The fleet comprises the following:

Passenger Airline Fleet		
Aircraft	Number	Airline
Fokker 50	10	Avianca
CESSNA	13	TACA
ATR 42	8	TACA
Embraer 190	12	TACA
Airbus A318	10	Avianca
Airbus A319	6	AeroGal
	12	Avianca
	11	TACA
Airbus A320	2	AeroGal
	29	Avianca
	20	TACA
Airbus A321	5	TACA
Airbus A330	8	Avianca
	1	TACA
TOTAL	147	

Safety, Our Commitment

Following the corporate strategy, the Airlines continued with the plan to implement the Operational Safety Management System pursuant to ICAO standards. Along those lines, 100% of the first three stages of the Safety Management System (SMS) out of a total of four were implemented in the Company Airlines. That included defining and promoting safety policy and objectives, risk management parameters, safety guarantees, and the consolidation of a culture to preserve assets and persons.

Other achievements in this front were:

- A 78% increase in employee safety reports, mostly corresponding to pro-active reports on potential risks. In this manner, the Company progressed in establishing a culture of prevention, with a history of a total of near 3,500 reports per year.
- Documentation and implementation of procedures for the proper identification of hazards and risk management, such as:
 - o Flight Data Analysis (FDA) program. The monitoring of destabilized approaches continued, showing a downward trend, even considering the Airlines’ increased operations.

- Operating Safety Audits. 100% of the scheduled audits were completed. It is worth highlighting that the procedure aimed at meeting the operating safety standards was updated.
- Operating Risks Analysis. Several projects and initiatives with an impact on operations were analyzed, implementing due controls in a timely fashion.
- Airport Inspections. 12 airport inspections were performed aimed at identifying conditions that represent a risk to operations and reporting them to the authorities.
- A methodology was defined to measure and follow-up on Safety Objectives using the operating risk control board.
- Communication channels were established at all organizational levels seeking to identify and manage operating hazards and risks.
- Initial and ongoing SMS training programs were carried out for all Organization personnel.

Employee Learning, Progress, Loyalty, and Commitment

In 2012, the Company intensified the plans and programs aimed at the integral progress of its employees, seeking to encourage an optimum work climate favoring the culture of excellence to which we are committed.

In line with the needs of the different in-house groups, the work in this front was undertaken by regions, as follows: North America; Central America and the Caribbean; Colombia and Europe; and South America (except for Colombia). Thus, over 18,000 employees located in 25 countries were summoned throughout the year to be part of the of wellbeing, training, and performance initiatives, among others.

- **Wellbeing.** Seeking to maintain a friendly atmosphere that facilitates taking care of complex, interdisciplinary tasks, the Company granted acknowledgements for job performance, for being an example of corporate values, and for achievements; it further supported the celebration of birthdays, special dates, and Christmas. Likewise, and for the purpose of promoting a healthy balance between the work life and the private life, the Company encouraged the participation of various groups of employees in sports tournaments, fairs, motivational sessions, recreational programs, and the week for the arts, among others.
- **Training.** To attend to the training needs detected in the corporate diagnosis and seeking to enhance technical skills and personal abilities, special workshops were organized and integration activities were carried out to integrate the work teams. More than 4,000 employees from different areas of the Company participated.
- **Great Place to Work (GPTW).** Continuing to improve in this aspect, corresponding development and follow-up plans were established for enhancing the work environment in critical areas. Thanks to that, 91.2% of the employees participated in the 2012 survey, obtaining 13.3% progress in reaching our proposed goal for excellence.

- **Performance and Development Assessment (PDA).** Phases I and II of Performance Assessment were implemented. Phase I assessed general employees (not directors) using a 360° methodology to review five competences. Likewise, Phase II was implemented, designed for managers/directors; they were assessed on nine competences. A total of 15,717 employees participated, representing 86% of the Company personnel.
- **Quality.** In 2012, the Organization made progress in implementing the ISO 9001:2008 standard aimed at ensuring the quality of organizational processes. Along those lines, the Human Talent Vice President's Office standardized and documented employee management procedures, certifying 44% of them. This is expected to result in improved in-house service indicators.

The Integrated Airlines Improved their Market Positioning

The Company growth in revenues was accompanied by greater connectivity options and coverage offers in 2012. During the fiscal year, the recorded number of seats increased significantly as a result of the new routes from Bogotá to Brasília and to Havana; the new routes from San Salvador to Cali and to Quito and from Lima to Cali and to Medellín; and the new route from San José de Costa Rica to Monterrey. The supply in fast-growing domestic markets such as Colombia and Peru was also adjusted. The capacity adjustments gave a new boost to those markets' business dynamics.

Thanks to the above and to other strategies aimed at positioning our service in strategic niches, the whole organization recorded the transportation of a total of 23,092,533 passengers in the period from January through December 2012, equal to an increase of 12.9% as compared to 2011 when 20,454,924 passengers were transported. ASK's rose to 36.545 Billion from January through December 2012, reporting a 10.3% increase as compared to 2011, with an average load factor of 79.6%.

International Market

In 2012, the Company passenger Airlines transported 9,837,031 passengers on their international network, representing a 6.1% increase as compared to 2011. Capacity, measured in ASK's, showed a 7.9% increase. Notwithstanding, the presence of new competitors on several routes abroad generated a drop of 1.67 in market share and the Company showed a 36.11% international market share. In 2012, the consolidated share of the international segment was 34.44%.

Domestic Markets (Colombia, Peru, and Ecuador)

From January through December 2012, the total number of travelers on domestic routes in Colombia, Peru, and Ecuador increased to 13,255,502, recording an 18.5% increase as compared to the number of passengers transported in those markets in 2011. In Colombia, the number of travelers on domestic routes totaled 11,300,415 in 2012, recording an 18.15% increase as compared to 2011 when the recorded figure was 9,564,532 passengers. As a result, a growth of 1.82 points in the Colombian domestic market share was recorded.

The Peruvian domestic market recorded a 74.9% increase in the number of passengers transported from origin to destination, for a total of 993,755 passengers in 2012 as compared to 539,949 passengers transported during 2011. That result was driven by the growth in the capacity of the Lima-Cusco route and the new flights from Cusco to Puerto Maldonado and from Arequipa to Cusco.

After the consolidation of Company routes in the domestic markets of Peru, Colombia, and Ecuador, the share in the home markets showed a figure similar to the one seen in 2011, 67%.

Destinations, Route Network, and Alliances

Throughout the year, the joint network was strengthened through direct point-to-point operations and through links among its own Hubs. Thus, more than 5,100 flights per week were made to over 100 destinations in 25 countries. The supply of connections to points on the five continents was reinforced by the route network to more than 750 destinations operated through trade agreements (code-share and interline) with other internationally acknowledged airlines.

The tables below show the destinations that benefited from extended flight frequencies and/or from new Group airline services.

On Domestic Routes – Colombia and Peru - (In each case both ways)

Extended Frequencies in Domestic Markets

Colombia		Peru	
Barranquilla-Medellín	6 Frequencies	Cusco – Lima	10 Frequencies
Bogotá-Bucaramanga	7 Frequencies		
Bogotá- Cartagena	5 Frequencies		
Bogotá-Cúcuta	7 Frequencies		
Bogotá-Medellín	19 Frequencies		
Bogotá-Santa Marta	7 Frequencies		
Cali-Medellín	12 Frequencies		
Cartagena-Medellín	28 Frequencies		
Medellín-Santa Marta	2 Frequencies		

New Services in Domestic Markets

Colombia		Peru	
Barranquilla-Cali	10 Frequencies	Arequipa-Cusco	4 Frequencies
Bogotá- Yopal	14 Frequencies	Cusco-Puerto Maldonado	7 Frequencies
Bogotá-Florencia	7 Frequencies		
Cali-Cartagena	10 Frequencies		
Medellín-Cúcuta	12 Frequencies		

On International Routes - (In each case both ways)

Extended Frequencies in International Markets

Asunción, Paraguay - Lima, Peru	2 Frequencies	Bogotá, Colombia - Sao Paulo, Brazil	3 Frequencies
Bogotá, Colombia - La Paz, Bolivia	2 Frequencies	Cali, Colombia – Guayaquil, Ecuador	3 Frequencies
Bogotá, Colombia - Lima, Peru	1 Frequency	Caracas, Venezuela – Lima, Peru	3 Frequencies
Bogotá, Colombia - Madrid, Spain	3 Frequencies	Dallas, USA – San Salvador, El Salvador	4 Frequencies
Bogotá, Colombia - Miami, USA	7 Frequencies	Lima, Peru – Montevideo, Uruguay	2 Frequencies
Bogotá, Colombia - New York, USA	1 Frequency	Lima, Peru – Quito, Ecuador	1 Frequency
Bogotá, Colombia - Orlando, USA	3 Frequencies	Lima, Peru - Viruviru , Bolivia	3 Frequencies
Bogotá, Colombia - Punta Cana, Dominican Republic	1 Frequency	Medellín, Colombia - Panama, Panama	4 Frequencies
Bogotá, Colombia - Rio de Janeiro, Brazil	2 Frequencies	Orlando, USA – San Salvador, El Salvador	1 Frequency
Bogotá, Colombia - San Salvador, El Salvador	4 Frequencies	San Salvador, El Salvador – Toronto,	4 Frequencies

		Canada	
Bogotá, Colombia - Santo Domingo, Dominican Republic	1 Frequency		

New Services on International Routes

Bogotá, Colombia - Brasilia, Brazil	4 Frequencies	Lima, Peru - Medellín, Colombia	3 Frequencies
Bogotá, Colombia - Havana, Cuba	3 Frequencies	Monterrey, Mexico - San Jose, Costa Rica	3 Frequencies
Cali, Colombia - Lima, Peru	3 Frequencies	Quito, Ecuador - San Salvador, El Salvador	3 Frequencies
Cali, Colombia - San Salvador, El Salvador	3 Frequencies		

Hubs

In 2012, the Company continued consolidating the four passenger Airline hubs located in Bogotá, Colombia; San Salvador, El Salvador; San José, Costa Rica; and Lima, Peru. Improved schedules and connection times between the routes of two different airlines resulted in better occupancy and in optimized travel experiences for users on routes that included different segments in the Western Hemisphere and to Spain.

Bogotá, Colombia

The operation through the Hub in Bogotá totaled 2,672 departures per week to 22 destinations in Colombia, five in North America, 11 in South America, eight in Central America, Mexico and the Caribbean and two in Europe, thus connecting hundreds of domestic and international travelers to different destinations in those regions every day.

San Salvador, El Salvador

The Hub in San Salvador operated 548 departures per week to nine destinations in North America, five in South America, and 13 in Mexico, Central America and the Caribbean.

San José, Costa Rica

With its 238 flight frequencies per week, this Hub facilitates links for passengers traveling to and from the main destinations in North, Central and South America, as well as those in the Caribbean.

Lima, Peru

The Hub located in the capital of Peru operates 550 departures per week to 16 destinations in South America, five in Mexico, Central America, and the Caribbean, one in North America, and nine in Peru.

Alliances and Code-Sharing

In 2012, the Group passenger Airlines continued their operations using effective code-share agreements with 11 international airlines, thus offering broad coverage

in countries in addition to those in Latin America. In this manner, the Organization offers links to the United States and to Canada with United Airlines, US Airways and Air Canada; to Mexico with Aeroméxico; to the Caribbean with Cubana de Aviación; to other points in South America with Satena, Sky Airlines, OceanAir (Avianca Brasil) and AeroGal; and to Europe with Lufthansa and Iberia.

In addition to the above-mentioned agreements, there are more than 100 interline operation agreements with other airlines on the five continents. Likewise, Avianca and TACA Airlines entered into frequent flyer programs with 26 Star Alliance member airlines, such as United Airlines, Air Canada, Singapore Airlines, and Lufthansa, which also means an exchange of benefits with the frequent flyer programs of Iberia and Aeroméxico.

Becoming a Star Alliance Member

On June 21st, 2012, Avianca and TACA officially became members of Star Alliance, the world's largest global airline network in terms of daily flights, route networks, excellent service, and number of associated airlines.

Thus, after two years of working at standardizing processes and achieving the highest operations and service standards, Avianca and TACA Airlines offered their travelers access to this world network that joins 27 airlines of international stature which jointly operate more than 4,200 last generation aircraft, enabling them to operate 21,900 daily flights to 1,329 airports in 194 countries.

Therefore, Avianca and TACA Airlines have joined what may be called the great world commercial aviation club, enabling travelers to appreciate easier travel processes while enjoying many more benefits and amenities during their journeys worldwide. Such benefits and amenities, in turn, are derived from using an on-line reservation system for the passengers of all of the Star Alliance member airlines, as well as from having a joint check-in process that enables self-check-in at a kiosk terminal, for traveling segments operated by different airlines. Likewise, baggage is handled using centralized processes in such a manner that travelers have one sole contact point, regardless of the number of segments to be flown on Star Alliance airlines.

Due to all of the above, Avianca and TACA Airlines LifeMiles frequent flyers have access to the whole Star Alliance flight network and, therefore, to more than 1,000 VIP lounges. In addition, they can accrue miles to improve their Elite status and redeem miles in the world's best loyalty programs.

Standardization Process Progress

AeroGal

During 2012, Aerolíneas Galápagos Sociedad Anónima (AeroGal) continued carrying out its optimization and transformation plan for the operating, commercial, and planning areas, aimed at standardizing processes, systematically expanding and controlling the business, and increasing total Company revenues. Such transformations have required the joint support of several areas, an optimization of efforts, and strategic planning, which have come to mean better control over the market, the operations, and the administration of the airline in general.

As a result of the market assessment and of the different changes made in the airline during the year, strategic plans were developed and implemented, which enabled the following:

- Optimized AeroGal Operations. Due to their low profitability, some domestic flights were cancelled as well as the Guayaquil – New York – Guayaquil flight. Therefore, two aircraft were removed, thus generating savings in fixed costs.
- Defined Cost Reduction Plans. To counteract the impact caused by losing the fuel subsidy, AeroGal implemented a plan for cost effectiveness that resulted in a USD 36.4 Million (COP 65.436 Billion) cost reduction from April through September 2012, a USD 13.4 Million (COP 24.089 Billion) decrease thanks to the fixed cost reduction plan, and a USD 23 Million (COP 41.347 Billion) decrease due to the new aircraft in the fleet and to structural changes in the company. Out of the 90 initiatives for fixed cost savings, 60 were completed, recording savings of USD 8.7 Million (COP 15,640 Billion), and 25 others will enable projecting savings of USD 4.9 Million (COP 8,809 Billion). Total projected fixed cost savings are USD 13.85 Million (COP 24,898 Billion).
- Developed Plans for International Operations Expansion. The code-sharing operation with Avianca on the Bogotá-Guayaquil and Cali-Guayaquil routes in 2013 is expected to represent a profitability of over USD 4 Million (COP 7,191 Billion).
- New Route Frequencies Defined. During 2012, the company entered into agreements with four operators for the Quito-Coca and Coca-Quito flights, and entered negotiations with the operator Repsol to be concluded by signing an agreement at the beginning of 2013, estimating revenues of USD 30,000 per week (COP 53.9 Million). Those operators and corporate accounts consolidate the 2013 demand and will generate revenues of USD 1.4 Million (COP 2,516 Billion), to obtain a positive marginal profitability for the flight.

Other projects carried out during 2012 by AeroGal included processing formalities for permits for non-regular operations, an increase of weekly frequencies for the Guayaquil-Cali route, the transfer of operations to the new Quito airport, and the outsourcing of the call center, among others.

TACA Regional

Most of the actions taken during the year were the result of the consulting started in 2011, aimed at defining the long-term TACA Regional strategy. For business in Central America, the key strategy required moving the domestic operations Income

Optimization administration to the Passenger Airlines administration, thereby achieving the goals aimed at developing a total service network with an opportunity to strengthen the domestic market with better international connections.

The main achievements included:

- Aviateca. Given that 80% of the operations corresponding to Wet Leases entered into for TACA, Aviateca did not have to make major process changes, however, as a key initiative, the tasks regarding schedules, payloads, group sales, quotes, and charter coordination were assigned to the areas in charge of those tasks in the Mainline operation. The special services were redesigned to motivate the local market, support the Airline's associate-accounts, develop more competitive products, and attract new customers through the different sales channels, among others.
- Islaña. As part of its new strategy, as of September 2012 this airline made changes in planning the route network to improve the airline's cost structure. Said adjustments implied taking one Caravan aircraft out of operation and reducing the less profitable flight routes to which ATR aircraft were assigned. In addition, the Roatán-La Ceiba route was cancelled. Said initiative led to the complete elimination of the Tegucigalpa-La Ceiba-Roatán route and to closing that station.
Regarding price/production, as of December, the Airline implemented a fare for foreigners and a different lower fare for citizens and residents, and foreigner purchases were restricted. The purpose is to generate incremental income to capture the excess. A USD 175,000 (COP 314.6 Million) incremental income was estimated for 2013 as a result of this initiative, with a 6% increase in the average fare for foreigners.
- Sansa. This airline continued with its strategy to participate in the Global Distribution Systems, mainly in the United States and in Canada, enabling a sales increase through this channel that went from USD 34,000 (COP 61.1 Million) in 2011 to USD 290,000 (COP 521,3 Million) in 2012 and, at the same time, generating a 6% increase in passengers.
Based on a historical analysis of the occupancy levels and advanced ticket purchases per destination, the airline established a flight cancellation policy in which cancellations did not imply a loss in advanced ticket sales for the market, therefore optimizing the use of the aircraft and minimizing costs. In December 2012 the airline initiated operations on the San Jose-La Fortuna route in Costa Rica. This new route is expected to generate an income of USD 77,000 (COP 138.4 Million) in 2013.

In 2012 The Airline started the periodical update of the Charter Pricer, which enables control over actual costs after each operation, and establishes a monthly procedure aimed at guaranteeing that the corresponding charter income will be correctly recorded. The main achievements were the improvement of complementary income recording, as well as the advanced payment of contracted charter operations.

The Maintenance area in charge of the regional areas carried out initiatives that enabled a better resource management, an optimum operation, and the development of more efficient preventive and corrective actions. Among them, the Clean Room project is to be highlighted. It includes a temperature-controlled room for minor repairs on aircraft surfaces in Guatemala, aimed at obtaining important savings in Company component repairs and in cleaning the Isleña and Aviateca fleets.

Likewise, fuel-saving initiatives were started in the last quarter of the year, which consisted in standardizing the Company's fuel and contingency fuel policy. As a result, on-board fuel decreased by 10%, thus bettering the payload capacity.

In 2012, the Company announced its decision to renovate its TurboProp fleet. Therefore, it will incorporate ATR72-600 aircraft, which will enable more seating, baggage and cargo capacity on routes in Colombia and in Central America.

Cargo Transportation and Courier Airlines Investment Results

Cargo

The cargo transportation are listed below.

- Economic Results of the Operation

- In 2012 Tampa Cargo recorded 6.6% growth in net operating income, going from COP 469,529 Billion in 2011 to COP 500,454 Billion.
- Operating costs increased from COP 367.3 Million in 2011 to COP 401.5 Million in 2012, which represented a growth of 9.3%. That increase is the result of a larger operation, associated with an increase in revenues and with higher fuel costs.
- The gross margin dropped 3.2%, from COP 102 Million in 2011 to COP 98.8 Million in 2012. Administration and sales operating expenses decreased 9% and 14%, respectively.
- At the end of the fiscal year, the Company reported operating profits of COP 8.894 Billion as compared to an operating loss of COP 48 Million in 2011.
- Earnings before Interests, Taxes, Depreciation and Amortization (EBITDA) for 2012 was COP 12.5 Billion, as compared to COP 2.5 Million in 2011.
- Equity remained positive at COP 68.2 Billion. The Company's financial liquidity decreased as compared to the end of 2011. This was due to an increase in accounts payable mainly to related parties.

- Market Strategies. During 2012 Tampa Cargo implemented several initiatives for insuring long-term Company sustainability and profitability. The following results are worth highlighting:

- Incorporation of Airbus A330-200F. As part of the cargo modernization and strengthening strategy, in its condition as parent company of Tampa Cargo S.A., Avianca signed an order in 2011 for the incorporation of four

Airbus A330-200 Freighter aircraft, each with a capacity of up to 68 metric tons and a 4,000 nautical mile range. They started to be incorporated into the fleet in December 2012. These aircraft represent an ideal alternative for mobilizing different types of cargo and voluminous cargo.

- Warehouse, Hangar and Land Infrastructure Improvement. In 2012 the Company continued the warehouse, hangar and infrastructure improvement process started in 2011 in Rionegro, Colombia and in Bogotá, Colombia. Likewise, in May, cargo operations in Peru were centralized, now taking place at the Lima Cargo City facilities. These facilities boast cutting-edge technology inventory systems, real-time monitoring, and security systems with 162 high definition cameras and X-ray equipment, thus increasing its capacity four times.
- Innovation and Products. In 2012, Tampa Cargo's Commercial Area improved its special products, increasing sales from an 11% share in 2011 to a 13% share in 2012 of total Group sales. That sales increase was reflected in Company revenues and in total transported cargo weight (in kilograms). In 2012, products classified as "Hazardous Goods" increased 91% for the following types of cargo: *MustGo* increased 35%, Premium Cargo increased 28%, Live Animals increased 25%, and Valuables increased 14%. Courier transportation decreased 7%.

- Route Network

- 2012 marked growth and market consolidation for Tampa Cargo, which led to the incorporation of the A330-200F aircraft and the corresponding capacity increase represented by the fleet renovation.
- As part of the Company's strategic plan, and geared by diversification in cargo and passenger routes, the Company consolidated its presence in the Brazilian market. In October, the Central American operation was modified, which enabled more routes to and from the United States, focusing Company growth in Guatemala and San José de Costa Rica.
- Under the growth and synergy strengthening strategy between the cargo network and the passenger network, there was a 35% increase in the cargo that circulates between the two networks.

By the end of 2012, the cargo transportation fleet comprised:

Cargo Transportation

Aircraft	Quantity	Airline
Boeing B767-200F	4	Tampa Cargo
Boeing B767-300F	1	Tampa Cargo
Airbus A330-200F	1	Tampa Cargo
TOTAL	6	

Deprisa

In 2012 Deprisa focused on consolidating projects that would strengthen its market competitiveness. The Avianca courier business unit gave new drive to its commercial efforts and to improving service and process management, which enabled it to close the year with positive financial results.

Its new Bogotá operations hub is one of the Company's most significant accomplishments during this fiscal year, with an investment of nearly COP 8 Billion. The space has a 3,900 square meter warehouse, 19 receiving docks, and a semi-automated shipment processing system. As part of this project, and pursuant to its strategic goals, the Company implemented the first conveyor belt system installed in its Bogotá center of operations, as an essential element for Deprisa to be competitive.

Also, aimed at improving productivity and strengthening service quality, Deprisa started its infrastructure modernization process in stations located in Bogotá, Santa Marta, Pasto and Manizales. As a result, this company recorded improvements in connection times, classification/dispatch processes, and storage capacity.

The business unit also implemented a new information system that has enabled it to strengthen its sales processes, optimize its resources, and modernize its logistics system, while growing and expanding its business. With the new software, Deprisa has recorded progress in resource optimization and process simplification, and it has improved operations management and customer communications.

As a result of all of the above initiatives, Deprisa recorded 9.6% sales growth, including Avianca Express sales, and 15% increase in business profitability. Changes in the business model were capitalized, driving growth to 11.3% in package deliveries. Furthermore, Deprisa maintained its leadership in the domestic cargo market, recording 37.9% share at November 2012*, with an 18.1% increase in transported weight (in metric tons) with only 3.5% market growth in the same period.

*Source: Colombian Civil Aeronautics Agency - Aerocivil (Kilograms transported at November 2012)

Results for Other Business Lines

LifeMiles Corp.

LifeMiles Corp., the subsidiary company responsible for managing the Company's passenger Airlines' frequent flyer program, is also responsible for commercializing the value attributed to the miles given in the LifeMiles loyalty program. During 2012, LifeMiles aimed its efforts at perfecting the exclusive benefits that it offers its members and associates.

The achievements included:

1. Accrual and Redemption Network

- Star Alliance. Now LifeMiles members can earn and redeem miles with any of the 27 Star Alliance international member airlines.
- Hotels. Best Western, the largest hotel chain, is now a LifeMiles member. LifeMiles customers may accrue miles by staying at any of that chain's hotels. With the Hilton Hotel chain, also a LifeMiles member,

program members can redeem their miles at LifeMiles.com from staying at that chain's hotels and those of its partners worldwide.

- Car Rentals. Avis and Budget are now LifeMiles associates, so LifeMiles travelers can accrue miles when renting one of their vehicles.
2. Improved Service Policy. In 2012 LifeMiles opened a new VIP Lounge exclusive to Diamond Elite members at the Avianca domestic flight air terminal in Bogotá, Colombia. In turn, Gold Elite members and one guest have access to the VIP lounges, as well as the option to use miles for obtaining Business Class upgrades, and an easier process for requesting retroactive mile accrual. Those updates resulted in LifeMiles Elite improving its net promoter survey scores by 6%.
 3. Improved Operation. Year after year results have shown an 80% reduction in the Company's two main operations metrics: detractors and complaints regarding the frequent flyer program operation.
 4. Increase in the Number of Members. Thanks to the improvements stated above and to the international competitiveness of the loyalty program, the Company has recorded an enrollment of 500,000 new members in the LifeMiles frequent flyer program. In November 2012, AeroGal was incorporated as a member, making LifeMiles that airline's frequent flyer program in Ecuador.
 5. Acknowledgements. In September 2012, LifeMiles was included in "The Seven Major Frequent Flyer Programs" presented by CNN. In that same month, LifeMiles was invited to speak at the loyalty program conference in Chicago where it presented "LifeMiles, the New Latin American Power".

Therefore, during 2012, the LifeMiles business unit continued its strong sales growth, surpassing the expected budget with a 40% increase as compared to the 2011 results. In total, from 2010 to 2012, LifeMiles presented an annual growth rate (CAGR) of 44%. Likewise, it closed 2012 with lower costs, representing 21% of sales, as compared to 30% in 2011.

High profitability and strict cost control enabled LifeMiles to contribute to the Company's gross profit (EBIT) with USD 116 Million (COP Million), and boasted a 56% growth as compared to 2011. Besides such highly satisfactory results, during that year, it advanced in the process of establishing LifeMiles as a business unit with separate legal status, thus nearing its goal of searching for capital opportunities independent of the main line of business.

Avianca Tours

During 2012, the tourist product Avianca Tours obtained revenues of USD 55 Million (COP 98,873 Million), thus meeting 104% of its total budget. Its efforts were focused on identification and growth of strategic, sustainable sources for the business.

Changing set packages to dynamic packages where travelers can choose to include or exclude tickets, hotels, car rentals, and tours, among others, and make whatever combination they like, resulted in:

- the diversification of portfolio products that now include around 50,000 hotels worldwide and more than 100,000 tourist activities in different destinations.
- a broadened coverage to include more than 110 destinations in the Avianca and TACA route network, and also several other associate airline destinations and code share destinations.
- a better trained sales team, with better abilities to meet customer demands, given that these changes required developing new skills, and applying strategic, technological, analytical, commercial and communications capabilities.

In 2013 this unit will continue advancing toward consolidating its commercial model and incorporating new technologies that will generate competitive, profitable, sustainable advantages in the future.

Avianca Services

Avianca Services, the business unit that specializes in the commercialization of aeronautical services, also boasted important achievements in 2012.

The business unit continued to provide Overhaul Services to the Venezuelan airline Santa Bárbara Airlines and to its domestic flight affiliate Aserca Airlines, to the Colombian Air Force, to LAN Colombia, to Viva Colombia, and to the Scottish aircraft lease company RBS Aerospace, all of which received repair, maintenance, technical support and painting services for Boeing 757, McDonnell Douglas, Tanker 767, Q400, and A320 aircraft.

Regarding its Airport Services, Avianca Services entered into contracts for the provision of check-in and ramp services with the American airline JetBlue for its Cartagena-New York and Bogotá-Fort Lauderdale frequencies. Likewise, similar services were contracted by Ecuadorian airline Tame in Bogotá.

In addition, Avianca Services won Satena's request for bid for the purchase of ramp services in Bogotá and Full Ground Handling in Barranquilla for regular operations and for additional services at several domestic bases, plus contracts with the low-cost Colombian airline Easyfly for servicing their flights in Valledupar as well as with LAN Airlines' cargo affiliate LANCO for servicing its operations in Cali.

Charter flights recorded an increase as a result of the services provided to the delegations of Peru, Brazil, Argentina and Canada during the Cumbre de las Américas summit meeting in Cartagena, and thanks to the services provided at the Medellín technical stop to WhiteJets charter a flight operator traveling to and from Manos, Brazil and Cancun, Mexico. All of the above contributed to closing the gap created by the cancellation of the OceanAir operations in Colombia and by American Airlines and LAN Airlines leaving Cali, among others.

As to sales, this business line had a 15% increase as compared to 2011, meaning COP 2.543 Billion more in sales as compared to 2011, reaching COP 19,022 Million.

During 2012, Avianca Services was certified by the Colombian Civil Aeronautics Agency - Aerocivil as an airport stopover handling services company. It was also accredited by Aerocivil as a center where third parties are trained in onboard flight attendant services and in airport services.

At year closing, this unit recorded a 12% increase in Line Maintenance Service sales as compared to the previous year, reaching revenues of COP 3.932 Billion, meaning COP 408 Million over 2011 revenues. The aeronautics calibration laboratory reached sales worth COP 601 Million, 39% more than in 2011.

For its other services including Aeronautics Workshops such as Emergency Equipment, Hydraulics, Structures, Aircraft, Tools, Instruments, Electric Accessories, Gases, Reactors, Radio, and Navigation, as well as Carpentry, Machinery, Carpeting, Welding, Painting, and Screen it showed a 24% increase in revenues as compared to 2011, reaching COP 727 Million.

As for Training Services, it started offering the sale of A320 flight simulator services with CAE for the ongoing training of LAN Airlines pilots. Also, basic training and operational training services were provided for the Argentinian Presidential aircraft (TCP and Despacho B757), for TACA aircraft and for Airman aircraft, among others. Revenues augmented 91%, meaning, COP 631 Million over 2011 revenues.

Avianca Services made COP 42.094 Billion in sales, with a 5% growth as compared to 2011. Net profit was COP 15.308 Billion, 16% higher than in 2011.

For 2013, the business unit aims to align its strategy with the internationalization of its Airport and Line Maintenance services at the bases where the Company airlines have a critical mass (Quito, Guayaquil, San José, San Salvador and Lima). It also proposes strengthening the Aeronautics Training Center with the Aircraft Line Technician (ALT) program and aligning its Overhaul strategy to the Maintenance, Repair & Overhaul (MRO) strategy of AviancaTaca Holding, to actively enter the market.

Social Responsibility and Sustainability

Beyond adopting the laws and regulations of multilateral and national organizations, through its subsidiaries AviancaTaca Holding S.A. undertook an action aimed at contributing to the corporate goals and to the effective well-being of its closest interest groups.

Therefore, based on a dialogue with employees, customers, shareholders, and community representatives, the Company implemented a series of projects and initiatives compatible with the business (passenger and cargo air transportation), aimed at assisting vulnerable social groups.

Social Management

The Miles Bank. Thanks to the contribution of miles from LifeMiles frequent flier program members, in 2012 the Miles Bank benefited 389 persons with limited resources who required medical assistance not available where they lived.

This program, which now has allies at the different hubs where the Group Airlines operate, is becoming an inter-institutional plan with concrete benefits for the marginal communities in the region. So for 2012, the Company highlighted the support provided through The Miles Bank to persons with limited resources in Colombia, El Salvador, Nicaragua, Costa Rica, Guatemala, Ecuador and Peru, who required surgery and/or medical treatment in the main cities in Latin America and in the United States.

Medical Personnel and Humanitarian Aid Transportation. With the Company airlines, in allegiance with different international organizations, the Company supported the transportation of humanitarian aid to populations affected by natural disasters in different areas of Latin America. More than 38 metric tons of goods and provisions, as well as medical equipment and personnel were transported in Group aircraft to emergency zones.

Volunteer Support. Aware of the enormous potential of its employees, the Company has been accompanying interdisciplinary employee groups with different jobs and from different stations who have voluntarily organized to give support to afflicted communities as well as to social projects in their areas of influence. In 2012, the Company supported their actions in 12 humanitarian aid projects in El Salvador, Guatemala, the United States, and Colombia.

Environmental Management

Fleet Renovation. In 2012, the Company continued its aircraft fleet renovation, simplification and modernization process by incorporating environment-friendly technology. The Company incorporated 17 new Airbus aircraft with combustion chamber enhancements that enable reducing CO₂ and NO_x emissions by more than 20%, as well as improvements in the acoustic panels and in engine nacelles, which contribute to significant noise reduction.

To complement the flight equipment renovation, the Company continued implementing operational strategies aimed at reducing fuel consumption, such as the use of only one engine during taxiing and of the Auxiliary Power Unit (APU) optimization, among other actions for reducing fuel use during flight trajectories.

Harmonization of Environmental Management Standards. In 2012 the Company continued making environmental diagnoses at its main operations bases, aimed at promptly closing any gaps in corporate standards. Likewise, the Company advanced in the harmonization and implementation of environment-friendly procedures and practices based on the guidelines set by local laws and regulations and by ISO 14001, IFC, ISAGO and IOSA standards. To that regard,

special mention is given to the actions undertaken to the proper processing of solid waste, greenhouse gas emissions, chemical substances, waste water and potable water. This has implied developing a strict educational plan and promoting an environment-friendly culture among the employees.

Corporate Governance

In 2012 AviancaTaca Holding S.A. stood firm in its commitment to strengthen the self-regulation and self-management mechanisms to ensure transparency in its business activities and to strengthen the protection of shareholder and investor rights, pursuant to the Company's Mission, Vision and Values.

Therefore, the Company complied with its Governance practices and with applicable laws and regulation. The Administrators applied the adopted policies and procedures to guarantee the integral, transparent management of their actions.

As in previous years, in 2012 the Company maintained its efforts to incorporate practices aimed at guaranteeing proper internal control and risk control systems.

The Corporate Governance practices adopted by the Company were at all times aligned with the laws and regulations issued by the Colombian Financial Superintendence and by the Colombian Stock Market.

The Business Group

On July 25, 2011 the corporate legal status was registered for the Business Group comprised of AviancaTaca Holding S.A. and Aerovías del Continente Americano S.A. – Avianca S.A. organized in Barranquilla, Colombia; Tampa Cargo S.A. organized in Rionegro, Colombia; Aerolíneas Galápagos Sociedad Anónima (AeroGal) organized in Quito, Ecuador; TACA International Airlines S.A. organized in El Salvador; TransAmerican Airlines S.A. (TACA Perú) organized in Peru); and Líneas Aéreas Costarricenses S.A. (Lacsa) organized in Costa Rica.

Stock Issuance in Colombia

Pursuant to March 25, 2011 Resolution No. 0455, the Colombian Financial Superintendence authorized the registration of the AviancaTaca Holding S.A. stock in the National Stock and Issuer Registry, and the public offer of its preferential shares without the right to vote.

On May 11, 2011 the process of issuing and placing AviancaTaca preferential stock without the right to vote ended.

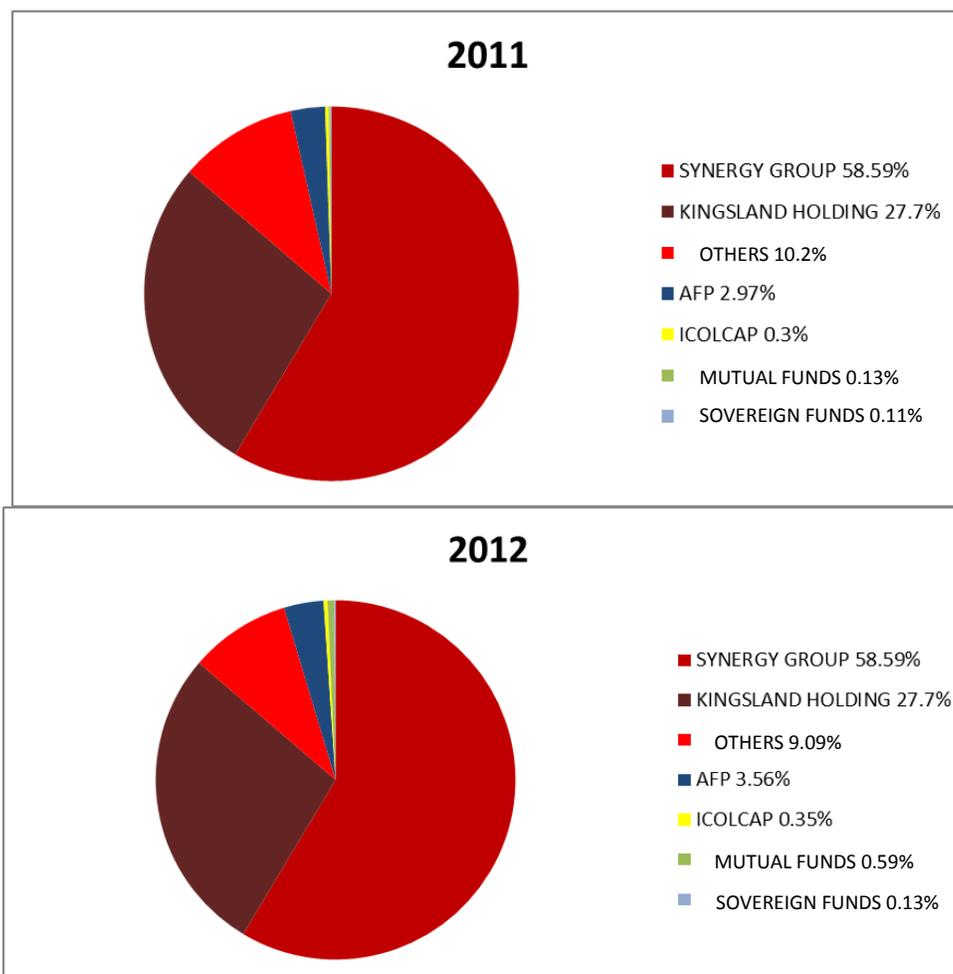
The total number of preferential shares without the right to vote was one hundred Million (100,000,000). The placement value was USD 2.35 Trillion. All of the shares issued and negotiated on the Stock Market were awarded.

The Company's authorized capital is Five Hundred Million US Dollars (USD 500,000,000), United States of America legal currency, divided into four Billion

(4,000,000,000) ordinary shares or preferential shares without the right to vote, each share having a par value of twelve point five cents (USD 0.125), United States of America legal currency.

Stock Composition

The stock composition summaries for 2011 and for 2012, including ordinary and preferential shares, are shown in the graphs below.



Main Stockholders

The main Company stockholders, at December 2011 and December 2012, are shown in the following table:

2011		2012	
<i>Synergy Aerospace Corp.</i>	58.59%	<i>Synergy Aerospace Corp.</i>	58.59%
<i>Kingsland Holdings Limited</i>	27.70%	<i>Kingsland Holdings Limited</i>	27.70%
Fondo de pensiones Obligatorias Moderado COLFONDOS	0.76%	Fondo de pensiones Obligatorias COLFONDOS Moderado	1.01%

Fondo de Pensiones Obligatorias BBVA Horizonte Moderado	0.66%	Fondo de Pensiones Obligatorias BBVA Horizonte Moderado	0.68%
Fondo de Pensiones Obligatorias COLFONDOS Retiro Programa	0.41%	FIDUBOGOTA - PA Plan Incenti AviancaTaca Holding	0.46%
Joaquin Alberto Palomo	0.31%	Fondo de Pensiones Obligatorias PORVENIR Moderado	0.39%
Alfredo Daniel Ratti Vasquez	0.31%	Joaquin Alberto Palomo	0.36%
Fondo Bursátil ISHARES COLCAP	0.30%	Fondo Bursátil ISHARES COLCAP	0.35%
Fondo de Pensiones Voluntarias MULTIFUND Skandia	0.28%	Alfredo Daniel Ratti Vasquez	0.31%
Fondo de Pensiones Obligatorias COLFONDOS Conservador	0.20%	Fondo de Cesantías PORVENIR	0.19%
Fondo Especial de Retiro Programado BBVA Horizonte	0.18%	Fondo Especial de Retiro Programado BBVA Horizonte	0.19%
Fondo de Pensiones Obligatorias PORVENIR Moderado	0.11%	Fondo de Pensiones Obligatorias PROTECCION Moderado	0.18%
Fondo de Pensiones Obligatorias MAYOR R	0.11%	Fondo de Pensiones Obligatorias COLFONDOS Retiro Programa	0.17%
<i>Government of Norway</i>	0.11%	Fondo de Pensiones Voluntarias MULTIFUND Skandia	0.16%
Fondo de Pensiones Obligatorias BBVA Horizonte Conservador	0.09%	Inversiones MEGEVE Capital Colombia Ltda.	0.13%
Fondo de Cesantías Horizonte	0.09%	<i>Government of Norway</i>	0.13%
Fondo de Pensiones Obligatorias PROTECCION Moderado	0.08%	Fondo de Pensiones Obligatorias COLFONDOS Conservador	0.12%
Cartera Colectiva Abierta ACCIONES B&R	0.07%	Fondo de Pensiones Obligatorias PROTECCION MAYOR R	0.11%
CCA con Pacto MIN PERM Acción CART con COMPARTIMEN	0.06%	Fondo de Pensiones Obligatorias PORVENIR Conservador	0.10%
Martha Lucia Moreno Ulloa	0.06%	FPO. BBVA Horizonte- Conservador	0.10%
Otros Accionistas	9.52%	Fondo de Cesantías BBVA Horizonte - Largo Plazo	0.09%
		Fondos de Cesantías PROTECCION- Largo Plazo	0.08%
		Otros Accionistas	8.42%

(*) According to the Dividend Policy, preferential shares entitle shareholders to the right to earn a minimum preferential dividend corresponding annually to one percent (1.0%) over the Registration Price of each preferential share offered, and

such dividend will be paid before the dividend corresponding to the ordinary shares.

Legal Situation

In 2012, AviancaTaca Holding S.A. complied with the requirements issued by the different Colombian surveillance and control agencies, and it also complied with its legal obligations in Panamá.

The Company has policies in place that enable it to guarantee compliance with laws and regulations regarding intellectual property and the protection of copyrights for the software that its subsidiaries install in the countries where they operate.

2013 Proposals

The big challenge in 2013 for the Company Airlines is to maintain the quality standards achieved in key operation and service processes, so that it may continue providing quality service to travelers and customers according to the Company growth planned for that year.

Based on the analyses made, the Company projects a consolidated increase from 8% to 10% for the passenger Airlines as a result of the incorporation of new aircraft in the context of the fleet simplification and modernization process.

Thanks to an offer in sync with the market demands in the countries where the Group Airlines operate, the Company estimates that the weighted Load Factor for all Company passenger Airlines will maintain the levels recorded in 2012. As a final result, in alignment with the region's economic development, the Company estimates that the EBIT operating margin will be from 6.5% to 7.5%.

Hand in hand with the development of operational expansion and consolidation plans, Company employees will continue working hard at perfecting the processes to offer a superior service to those who choose the Group Airlines to fly throughout the Western Hemisphere and worldwide. The employees are aware that quality service is the foundation for the success of the Company's projects. At the top of the list for 2013 is choosing the name Avianca as the sole trademark for the Airlines comprising AviancaTaca Holding S.A.

My best regards to the Company Shareholders.

Sincerely,



FABIO VILLEGAS RAMIREZ
CEO

This report has been accepted by the members of the Board of Directors:

Germán Efromovich
José Efromovich
Alexander Bialer
Isaac Yanovich
Alvaro Jaramillo
Ramiro Valencia
Juan Guillermo Serna
Roberto Kriete
Joaquin Palomo
Oscar Dario Morales
Marco Baldocchi

Bogotá, Colombia, March 2013.