Abra Group Limited
Management Discussion and Analysis (MD&A) as of 31 December 2024

A. Background

Abra Group Limited ("Abra" or the "Company") is a company incorporated and existing under the laws of England and Wales as of February 18, 2022. Abra, together with its subsidiaries, will be referred to as the "Group" for the purposes of this Management Discussion and Analysis ("MD&A").

Abra was incorporated with the objective of facilitating the business combination of GOL and Investment Vehicle 1 Limited ("IV1L"), the parent company of Avianca Airlines ("Avianca"), resulting in the formation of a regional airline carrier group. This group operates in the Latin American, North American, European, and Caribbean aviation markets and owns, controls, and operates airlines within these regions.

Abra's investment in GOL is accounted for as an investment in a financial instrument (shares) due to Abra's lack of control or significant influence over GOL. This investment was fully written off by December 31, 2023. As a result, GOL's results and financial performance are not included in either the Abra Consolidated Financial Statements as of December 31, 2024, or this MD&A.

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the 2024 Audited Financial Statements to gain a comprehensive understanding of Abra's consolidated financial performance.

B. Operations

Consolidated capacity, measured in Available Seat Kilometres (ASK), reached 64,412 million in 2024, a 17.7% increase relative to 2023. During the period, the Group carried 37.8 million passengers, a 18.5% year-over-year increase.

Group's passenger CASK ex-fuel remained stable at 3.9 cents despite year-over-year inflation and lower stage length, a testament to our rigorous cost discipline. Moreover, PAX fuel CASK decreased from 2.2 cents to 1.9 cents year-over-year, as jet fuel price declined, and the Group became more efficient in terms of fuel consumption through the implementation of key initiatives, including the cabin reconfiguration, the fleet renewal and its fuel burn optimization programs.

The Group ended 2024 with an operating passenger fleet comprised of 148 aircraft: 133 Airbus 320 family aircraft and 15 Boeing 787.

Abra's network (excluding GOL as mentioned before) consisted of 165 routes in 81 destinations as of the end of 2024. The Company has reallocated capacity to international markets with growth opportunities, by launching 23 international routes and 3 domestic routes through December 2024, including Bogota-Paris, Bogota-Chicago, Buenos Aires-Guayaquil, Guayaquil-San Jose, Medellin-San Salvador, Panama City-San Jose, Punta Cana-Quito, Medellin-Panama, Sao Paulo-Medellin, Aeroparque-Bogota,

Bogota-Georgetown, Bogota-Tulum, Bogota-Havana, Guayaquil-Medellin and Cartagena-Guayaquil.

The Group continues capturing premium revenue by expanding its Business Class service on the Narrowbody operation to 34 routes as of December 2024. In addition, the Group launched Insignia in November, its enhanced European Business Class service.

Consistent with the objective of focusing on core competencies while partnering with companies that are experts in their fields, the Group, through Avianca, signed an agreement for MRO Holdings to become the operator of AGIL's Medellín-based MRO. This strategic decision ensures the delivery of high-quality service through a leading maintenance service provider in the Americas.

The Group, through Avianca, expanded the scope of its codeshare agreement with Clic Air, a domestic carrier in Colombia, to connect Clic's regional flights with 14 of Avianca's international routes. Since 2022, the two companies have been working together to connect their networks, benefiting millions of passengers and improving the connectivity of the regions.

C. Factors Affecting our Financial Condition and Results of Operations

Our financial condition and results of operations have been affected, and will continue to be, affected by several important factors, including the following:

Macroeconomic Factors

We are generally affected by economic conditions in the markets in which we operate. Macroeconomic conditions in these countries and region including periods of recession that affect consumer purchasing power, high inflation and volatility in exchange rates, especially against the U.S. dollar, that impacts both of our revenue and our costs, affects demand for our services, our financing costs and our exposure to fuel prices, which are denominated in U.S. dollars.

Aircraft Fuel Prices

Aircraft fuel expenses constitute the largest portion of our total operating expenses, representing 30.1% of our total operating expenses in 2024. International and local aircraft fuel prices are subject to wide price fluctuations and, in some cases, sudden disruptions, based on geopolitical issues, such as the Russia-Ukraine conflict and conflicts in the Middle East including the Israel-Hamas war, and supply and demand as well as market speculation. We may not be able to adjust our fares adequately or otherwise respond quickly to protect ourselves from volatility in aircraft fuel prices.

Because our aircraft fuel purchase agreements do not protect us against aircraft fuel price increases, from time to time we may enter into hedge contracts to mitigate our exposure to aircraft fuel price increases. However, in such cases, when aircraft fuel prices decrease, we may be exposed to losses on our hedge contracts, which can offset savings in aircraft fuel expenses. Our philosophy is to

not hedge systematically against fuel price risk through financial instruments, but rather to pass-through the underlying fuel cost fluctuations to fares in markets with supportive demand dynamics. We do, however, from time to time, enter into hedging positions through financial derivatives to mitigate specific event risks, such as geopolitical uncertainty or extreme weather events that may negatively impact the fuel supply chain.

Competition

The airline industry is highly competitive. The principal competitive factors in the airline industry are the fare and total price, flight schedules, number of routes served from a city, loyalty programs and passenger amenities, customer service, fleet type and reputation. The airline industry is particularly susceptible to price discounting as, once a decision to fly a scheduled flight has been made, airlines incur only nominal incremental costs to provide service to passengers occupying otherwise unsold seats. Price competition occurs on a market-by-market basis through price discounts, changes in pricing structures, fare matching, targeted promotions and loyalty initiatives. Airlines typically use discount fares and other promotions to stimulate traffic during normally slower travel periods to generate cash flow and to maximize PRASK. The prevalence of discount fares can be particularly acute when a competitor has excess seat capacity that it is under financial pressure to fill.

A key element of our competitive strategy is to maintain an efficient cost structure to permit us to compete successfully in price-sensitive markets. We have structurally transformed our business to a cost-efficient carrier, with a disciplined approach to CASK.

Since the Avianca reorganization under Chapter 11, we have implemented several strategic initiatives to achieve sustainable cost leadership, which have included simplifying and densifying our Fleet, renegotiating contracts with suppliers, including aircraft lessors and other suppliers, optimizing our network for improved utilization, implementing a buy-on-board program, and renegotiated our distribution model aiming at increasing ticket sales through direct channels, and implementing an unbundled fare and ancillary fee structure. We continue to improve across multiple areas to ensure continued cost leadership.

Our current and potential competitors include legacy carriers as well as LCCs and ULCCs. Some of our current or future competitors may have greater liquidity and access to capital and may serve more routes than we do.

Changes in Foreign Exchange Rates

Our functional currency is the U.S. dollar, and our consolidated financial statements are presented in U.S. dollars. Our freight rates, as well as our international passenger fares, are largely denominated in U.S. dollars. However, sales in domestic markets are made in local currencies, where prices may not be fully indexed to the U.S. dollar. While we price our tickets in U.S. dollars in many markets in which we operate, volatility in local currencies may still impact the

purchasing power of our passengers. In addition, a portion of our operating revenue and expenses, such as remuneration expenses, is denominated in currencies other than the U.S. dollar, thereby exposing us to foreign exchange variation in translating our results denominated in other currencies into U.S. dollars, mainly in relation to the Colombian peso.

Labour

As of December 31, 2024, we had approximately 2,940 employees (out of a total of 14,393 employees), or approximately 20.3% that were members of labour unions, including in Colombia and Mexico. The wages, benefits and work rules of unionized airline industry employees are largely determined by collective bargaining agreements. Generally, our collective bargaining agreements contemplate a periodic salary adjustment based on inflation. Terms are reviewed when the applicable union files a request. If we are unable to reach an agreement with the respective unions in current or future negotiations regarding the terms of their collective bargaining agreements, subject to applicable law, we may be subject to operational slowdowns or stoppages, which would be likely to adversely affect our ability to conduct business. Any agreement we do reach could increase our labour cost and related expenses.

Seasonality and Other Drivers of Fluctuations in Our Results

Our operating results fluctuate due to seasonality, including high vacation and leisure demand occurring during the Easter holiday, the months of July and August and the months of December and January. The lowest levels of passenger traffic are typically concentrated in the months of February, March (depending on whether the Easter holiday falls in March or April) and May. Consequently, our results for the second half of the year are usually better than our results for the first half of the year. The actions of our competitors may also contribute to fluctuations in our results of operations. As we enter new markets, we could be subject to additional seasonal variations along with any competitive responses to our entry by other airlines. We are more susceptible to adverse weather conditions, including hurricanes generally during the months of June to November, because of our operations being concentrated in Central America, the Caribbean and Colombia. Price changes in aircraft fuel as well as the timing and amount of maintenance and advertising expenditures also impact our operations. As a result of these factors, quarter-to-quarter comparisons of our operating results may not be a good indicator of our future performance.

D. Results

Total Operating Revenue

Passenger Operating Revenue. Passenger operating revenue was $4,463 million during 2024, a 11.4% increase from $4,008 million during 2023, mainly due to a 17.7% increase in capacity primarily as a result of additional narrow-body operating Fleet, which increased from an average of 110 aircraft during 2023 to 126 during 2024, partially offset by a load factor decrease from 82.4% to 81.4% and a yield decrease of 4.6% due to

competitive pressures mainly in Colombia and Central and North America. This capacity increase also generated incremental miles redemption revenues due to 16% higher redeem miles volume.

Cargo and Other Operating Revenue. Cargo and other operating revenue was $819 million during 2024, a 7.3% increase from $763 million during 2023, mainly due to the consolidation of ACMI and charter services revenue of $55 million following the acquisition of Wamos, which were not consolidated in 2023. Additionally, a $4 million decrease in cargo revenue due to a 13.3% drop in yield, mainly explained by lower fuel prices and competitive pressures, and a 4.3% decrease in capacity operated.

Total Operating Expenses

Our total operating expenses were $4,692 million during 2024, an increase of only 9.9% from $4,269 million during 2023, despite a 17.7% increase in capacity as described above, in addition to the reconfiguration and increased utilization of those aircraft, offset by increased operational efficiency, mainly achieved through lower distribution and commissions expenses as well as improved labor productivity, and lower fuel prices.

Aircraft Fuel. Aircraft fuel expense slightly decrease 0.4%, from $1,416 million during 2023, to $1,410 million during 2024. The increase in consumption of aircraft fuel primarily resulted from the increased capacity as described above. In terms of gallons, our aircraft fuel consumption increased by 11.0% despite the fuel efficiency initiatives implemented during the year resulting in a lower gallons/ASK ratio. This increase was partially offset by a 10.3% lower into–plane jet fuel price from our Passenger and Cargo operation, which decreased from an average of $3.04 per gallon during 2023 to an average of $2.73 per gallon during 2024.

Salaries, Wages and Benefits. Salaries, wages and benefits expenses were $733 million during 2024, representing a 11% increase from $660 million during 2023, primarily due to appreciation of the Colombian peso resulting in higher wages in U.S. dollar terms and inflation–related wage adjustments, which were offset by productivity improvement as compared to 2023 as shown by an increase in headcount of only 5.3% despite the 17.7% increase in capacity described above. Additionally, the consolidation of Wamos contributes $19 million in 2024, which did not consolidate in 2023.

Ground Operations. Ground operations expense was $532 million during 2024, representing a 13.4% increase from $469 million during 2023, mainly due to landing and ramp services expenses increasing by $37.5 million, air navigation expenses increasing by $17.6 million and cargo handling expenses increasing by $4.5 million, all as a result of the 19.6% increase in capacity described above. Flight departures increased by 17.2% and block hours increased by 14.4% during the same comparative period.

Air Traffic. Air traffic expense was $258 million during 2024, representing a 25.8% increase from $205 million during 2023. This increase is mainly due to airport facilities, passenger attention (including VIP lounges), passenger compensations and baggage handling expenses increasing $23.8 million, largely driven by a 18.2% increase in passengers transported, most of it in high-cost international markets. In addition,

aviation security services, subcontracted airport services and airport communication systems expenses increased $13 million driven by an increase of in passenger flight departures of 18.6%.

Flight Operations. Flight operations expense increased 10.6% from $87 million during 2023 to $96 million during 2024, despite the 19.6% increase in capacity described above. The variation is primarily due to a $7 million increase in pilot travel expense as a result of the 17.7% increase in capacity operated, as well as a $2 million increase in training expense due to incremental crews associated with capacity growth and the effect of the Wamos consolidation of $2 million. All of this, partially offset by a $4 million lower expense related to aviation insurance due to the negotiation of rates.

Passenger Services. Passenger services expense was $107 million during 2024, representing a 23.1% increase from $87 million during 2023, mainly due to an increase of $10 million in flight attendants travel expenses, driven by an increase in flight departures most of them in international markets, an increase of $6 million in expenses related to meals and food handling, and an increase of $5 million in entertainment and supplies expenses, driven by a 18.2% increase in passengers and the implementation of business cabin service on several routes in the network, which requires a higher standard of food service and supplies.

Maintenance and Repairs. Maintenance and repairs expense was $219 million during 2024, representing a 30.4% increase from $168 million during 2023, mainly due to an increase of $18.4 million in components maintenance expenses, especially in the variable portion of the expenses, as a result of higher operation, increasing the expense of contracts under pay by hour and lease contracts of exchange of other components. In addition, $4.7 million in line and airframe maintenance expenses resulting from an increase in our average narrow-body fleet count. In addition, in 2023 there was the recovery of insurance claims from previous years for $11.6 million. Finally, the consolidation of Wamos contributes 10 million in 2024, which did not consolidate in 2023.

Selling Expenses. Selling expenses were $358 million during 2024, representing a 1% increase from $354 million during 2023, mainly due to a $14.2 million increase in loyalty-related expenses mainly explained by miles accruals costs and redemption costs in air partners. In addition, higher sales volume, partially offset by lower distribution costs and a shift in bookings to a more efficient mix of channels such as our website and mobile app.

Fees and Other Expenses. Fees and other expenses were $361 million during 2024, representing a 54% increase from $234 million during 2023. Driven by an increase of $24.0 million in fees related to strategic projects and financing transactions. Furthermore, a $18.0 million increase in labor and customer protection claims mainly in Brazil, an increase of $11.7 million in IT-related expenses to support our expanded operations and higher capacity and an extraordinary tax recovery of $20.9 million in 2023. Finally, the consolidation of Wamos contributes 10 million in 2024, which did not consolidate in 2023.

Rentals. Rentals expense was $71 million during 2024, representing a 46.3% decrease from $131 million during 2023, mainly due to our Boeing 787 aircraft, which were operating under short-term PBH contracts between January and June of 2023 and under long-term lease agreements thereafter, and lower expense under our ACMI contracts. The expense associated with these long-term lease agreements is recorded under depreciation of right of use asset and interest expense.

Depreciation of Right of Use Asset. Depreciation of right of use asset expense was $412 million 2024, representing a 25.6% increase from $328 million during 2023. The higher depreciation expense was driven by the incorporation of a new Fleet under long-term operating leases as well as our Boeing 787 aircraft, which were operating under short-term PBH contracts between January and June of 2023 and under long-term lease agreements thereafter, as described above. In addition, the consolidation of Wamos contributes a higher depreciation cost of $8 million, which was not consolidated in 2023.

Other Depreciation, Amortization and Impairment. Other depreciation, amortization and impairment was $136 million during 2024, representing a 14.5% increase from $119 million during 2023, primarily due to a $15.2 million increase in the depreciation of capitalized maintenance events during the period, a $5.5 million increase in intangible asset amortization, and a $11.2 million increase in depreciation of rotables maintenance and other assets.

Impairment of Other Investments and Assets Held for Sale. During 2024, we did not have any impairment expense related to other investments and assets held for sale, as compared to 2023.

Other Income and Expenses

Interest Expense. Our interest expense was $1,008 million during 2024, representing a 62% increase from $620 million during 2023. Increased interest expense during the period was driven by a higher interest expense of $326 million due to the refinancing of Abra SSN 2028 and Forbearance Agreements signed during 2024, with an additional expense recognized on our lease liabilities of $62 million due to the addition of new aircraft into the Fleet under long-term operating leases, as well as our Boeing 787 aircraft, which were operating under short-term PBH contracts between January and June of 2023 and under long-term lease agreements thereafter, partially offset by the reversal of certain return condition liabilities associated with the conversion of aircraft from operating leases to financial leases, representing a decrease of $9.4 million.

Interest Income. Our interest income was $388 million during 2024, representing a 67.3% increase from $232 million during 2023, due to higher average interest-earning asset balances and higher interest rates during 2024 compared to previous year.

Net change in Fair Value of Financial Instruments. The impact of net change on the fair value of our financial instruments was $23 million loss during 2024, compared to $812 million loss in 2023. The year ended December 31, 2023 includes the recognition of the

impairment of GOL for $791 million loss, and the value update on the convertible loan to Sky offset by the accrual of interest of that investment.

Foreign Exchange, Net. Foreign exchange, net increased from a loss of $18.3 million during 2023, to a loss of $5.9 million during 2024. This loss was driven by the devaluation of the Brazilian real and Colombian peso, because of the monetary position we have in those currencies.

Income Tax Expense. During the fiscal year 2024, total income tax expense was $28.8 million as compared to $1.9 million during the fiscal year 2023, representing an increase mainly as a result of the fact that in 2023 we were able to recognize a deferred tax asset associated with the net operating losses of one of our subsidiaries located in Colombia, since the company was able to demonstrate the generation of future taxable profits.

Current income tax expense was $21.7 million during the fiscal year 2024 compared to $38.9 million during the fiscal year 2023, representing a decrease of 42.5%. A deferred income tax loss of $7.1 million was recorded during the fiscal year 2024, compared to a deferred income tax benefit of $36.9 million during the fiscal year 2023.

E. Cash and Debt

Cash and cash equivalents
The Group reached a solid cash balance of $1,140 million (including Short-term investments) by year's end despite seasonal and timing impacts, leveraging favourable market conditions to secure incremental liquidity.

At December 31, 2024, we had $961.6 million of cash and cash equivalents and $178.5 million of short-term investments, which collectively represents $1,140 million, or 19.9% of our total operating revenue for 2024.

Cash Flows Provided by Operating Activities
Net cash flows provided by operating activities for 2024 were $29.1 million higher than 2023, primarily due to $632 million of lower net loss and a $65.1 million working capital generation, partially offset by $27.8 million tax payments and $20.4 million of higher net payments for hedging instruments.

Cash Flows Used in Investing Activities
During 2024, we used $452.8 million less in net cash flows in investing activities when compared to 2023. This decrease was driven by the absence of GOL SSN 2028 purchases in 2024 for a total of $375.9 million, an increase by $233.1 in short-term investment maturities, an increase of $45.9 in interest received, and a decrease of $57.6 million in the acquisition of short-term investments. The overall positive cash effects were partially offset by $160.0 million in higher acquisition of property, equipment and intangible assets, and lower proceeds received from

sale of property and equipment. Finally we recorded a $99.7 million net value of acquisition of Wamos.

Cash Flows Used in Financing Activities

During 2024, we used $468.8 million more in net cash flows for financing activities when compared to 2023, mainly due to $912 million of higher proceeds from loans and borrowings, net of amortizations and transaction costs related mainly to the refinancing of the Abra Notes in October 2024. These higher net proceeds were partially offset by (a) $154 million of higher lease payments, primarily corresponding to 12 incremental A320 Family aircraft in our Fleet, one additional A330F and the conversion of short-term to long- term leases on 16 Boeing 787 aircraft in July 2023, whose rental expense was previously recorded in the consolidated statement of comprehensive income and (b) by additional payments of $1,227 related to the same refinancing.

Debt

As of December 31, 2024, we had an outstanding balance of long-term debt (including current portion), short-term borrowings and long-term lease liability (including current portion) of $6,861 million, comprising $4,060 million of long-term debt (including current portion) and short-term borrowings and $2,801 million in obligations under our lease liability. These figures exclude $153.4 million related to the equity component of the Abra SSENs and Top up SSN 2029. 94.5% of our aircraft fleet was financed under long-term fleet rental contracts capitalized on our balance sheet under IFRS 16. The weighted average interest rate of our long-term debt (including current portion) and short-term borrowings as of December 31, 2024, was 11.2%.

As of December 31, 2024, 100% of our long-term debt (including current portion) and short-term borrowings was secured by a substantial portion of our assets

F. Post-balance sheet events

- On January 6, 2025, the initial disbursement of the Wamos Facility in the amount of €22.0 million was made.
- On January 10, 2025, the Group reached an agreement with Airbus to exercise the option to purchase additional aircraft under its current Purchase Agreement.
- On February 5, 2025, a negative ruling was issued in Colombia against Aerovías del Continente Americano S.A. (Avianca S.A.) regarding the 2018 income tax process at first instance, therefore an appeal was filed before the High Administrative Court on February 19, 2025. In that case, the Colombian tax authority has challenged the transfer pricing method of certain intercompany transactions, as well as the aircraft depreciation. The amount in dispute is approximately $78.6 million. The Company has strong technical arguments for its defense; thus, the advisors maintain the risk of loss as remote. The dispute is currently awaiting a decision of the high court.

- On February 14, 2025, Avianca Midco 2 PLC consummated its offer to exchange any and all of its outstanding 9% Tranche A-1 Senior Secured Notes due 2028 (the "Tranche A-1 Exit Notes") for its newly issued 9% Senior Secured Notes due 2028 (the "2028 Notes") and its solicitation of consents of the holders of the Tranche A-1 Exit Notes (the "Offer and Solicitation"), pursuant to which holders of 99.75% of the outstanding principal amount of the Tranche A-1 Exit Notes exchanged their Tranche A-1 Exit Notes for 2028 Notes and consented to eliminate substantially all of the restrictive covenants and release and discharge all of the guarantees and release all of the collateral securing the remaining Tranche A-1 Exit Notes. As a result of the consummation of the Offer and Solicitation, Avianca Midco 2 PLC issued US$1,109,157 aggregate principal amount of 2028 Notes and US$2,774 aggregate principal amount of Tranche A-1 Exit Notes remain outstanding.

- Concurrently, on February 14, 2025, Avianca Midco 2 PLC issued US$1,000,000 aggregate principal amount of its 9.625% Senior Secured Notes due 2030 (the “2030 Notes”). The net proceeds of the 2030 Notes were used to redeem in full its 9% Tranche A-2 Senior Secured Notes due 2028 and repay in full the loans under the credit agreement dated as of August 30, 2021, as amended from time to time, by and among LifeMiles Ltd., LifeMiles US Finance LLC, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent, and for general corporate purposes.

- On February 26, 2025, the Group signed waivers with the lenders of the USAVFlow facility due to the Group expects to reclassify the obligation as “non-current” for the carrying amount for $194 million, with a settlement period of 12 months or longer for the reporting period following the agreed waivers.