

LATAM income hits \$513m and loss as real declines

The LATAM Airlines Group has reported a strong improvement in operating income for its fourth quarter 2014 of \$267m (+13.7%) but it still recorded a net loss of \$109.8m for full year 2014, compared to a much bigger loss of \$281.1m in 2013.



Significantly, the overall results also reflect foreign exchange losses of \$130.2m in 2014 and \$482.2m in 2013 – mainly resulting from the devaluation of the Brazilian real – a huge pressure element for all companies wholly or partially trading in this currency at present.

More happily, net income reached \$98.3m in Q4, compared to a net loss of \$46.1m in Q4 2013. This result includes a foreign exchange loss of \$90.3m which was mostly experienced at TAM following the devaluation of the Brazilian real during the quarter.

[This brings into focus the aforementioned pressure these and other businesses are having as a result of the weakened Brazilian real-Ed].



A LAN Airlines B767-300ER (Photo credit: courtesy Pablo Andrés Ortega Chavez).

For the full year 2014, LATAM reported an operating income of \$513.4m, as compared to \$643.9m in full year 2013. Operating margin for 2014 reached 4.1% as compared to 4.9% in 2013, in line with the guidance provided by the Company.

LATAM reported a net loss of \$109.8m in 2014 compared to a net loss of US\$281.1m in 2013, although this was not all due to exchange rates. This result also includes a hefty \$112m provision during the first quarter

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of 2014 for penalties incurred related to aircraft redeliveries, as a result of LATAM's fleet restructuring process.

PROFITABILITY EXPECTATIONS...

Looking forward, the company says it is hopeful that this year will see some improvement. In a statement, management said: "We expect to improve profitability and estimate operating margins for the full year 2015 to be in the range of 6% to 8%.

"This improvement in results takes into account our strategic focus on the factors we have defined as critical for success: customer experience, network and efficiency and cost reduction." During the fourth quarter last year, LATAM took delivery of five new Airbus A321 aircraft and one Boeing 787-8 passenger aircraft.

[LATAM Airlines is the holding company parent for LAN Airlines and TAM and also includes LAN's affiliates in Peru, Argentina, Colombia and Ecuador, as well as TAM and its subsidiaries TAM Linhas Aereas and its business of TAM Paraguay and Multiplus-Ed].