



AVIANCA HOLDINGS REPORTS AN ADJUSTED OPERATING PROFIT¹ OF \$5.1 MILLION FOR THE SECOND QUARTER OF 2015

News / Finance



Avianca Holdings S.A. (NYSE: AVH, BVC: PFAVH) presents the following results pertaining to the 2Q 2015. Financial and operational information is provided in millions of US dollars unless stated otherwise. The following information is presented in accordance with International Financial Reporting Standards (IFRS). The reconciliation between IFRS and non-IFRS financial information can be seen in the financial tables section of this report. Except when noted, all comparisons refer to 2Q 2014 numbers. Figures and operating metrics of Avianca Holdings S.A. ("Avianca Holdings" or "the Company") are presented on a consolidated basis.

Second Quarter 2015 Highlights

? Avianca Holdings earned an adjusted operating income (EBIT¹) for the quarter ended June 30,

2015 of \$5.1 million, posting an operating margin of 0.5%.

? Operating revenues amounted to \$1.06 billion, a decrease of 7.3% over 2Q 2014 mainly driven by an 11.1% decrease in passenger revenues as a result of a weaker demand driven by FX depreciation, which caused a yield dilution of 18.7%. These results were partially offset by a 9.3% increase in cargo and other revenues, as a result of the optimized use of our cargo capacity as well as the continued growth of our loyalty program. For 2Q 2015 our LifeMiles program ended with more than six million members.

? Cost per available seat kilometer (CASK1) decreased 11.2% to 9.80 cents in 2Q 2015, compared to 11.04 cents in 2Q 2014. These results were mainly driven by lower jet fuel prices. As such CASK ex-fuel1 declined 5.0% to 7.27 cents mainly due to the efficiencies reached by crew planning as the actions taken to optimize our network lowered flight operations expenses, as well as the positive effect of FX depreciation on our non-USD denominated costs.

CEO ?s Comment

Dear Shareholders,

The second quarter of this year proved to be challenging in many ways, high volatility levels and increased uncertainty dominated the global economic landscape and Latin America in particular. As such, market conditions such as currency depreciation and further demand weakness, accelerated in the countries where we operate, prompting us to react and adjust accordingly. As a result the second quarter results reflect lower passenger yields, which were partially offset by a lower fuel expense and a lower Cask – ex fuel unit cost.

In order to rapidly adapt to these conditions, we had to make some important decisions to ensure we continued along the path of sustainable long term growth. This implied, shifting our efforts into our network optimization scheme. As a consequence, we redesigned our domestic Colombia network in order to optimize our operation out of the Bogota Hub. As a direct result of these changes, capacity in the domestic Colombian market was reduced by ~4%, improving On Time Performance (OTP), which we expect will yield higher profitability of the network and better service to our customers. Furthermore, for the sixth year in a row Avianca was recognized as the Best Airline and Best Service Team in Central American and the Caribbean in the Skytrax World Airline Awards 2015. This confirms our commitment and continuous effort to offering a world class service to our customers.

Other important measures going forward include phasing out the twelve Embraer aircraft from our operative jet fleet, of which we have already grounded four, and postponing five aircraft delivery orders programmed for 2016. Therefore, our total fleet by year end 2016 is expected to decrease by one aircraft. With the full implementation of these measures, we will be able to achieve a 50% CAPEX reduction, which is aligned with our network capacity optimization plan.

Over the last quarter we accordingly launched a new service from Lima to Cancun and added a new route from San Andres Island, Colombia to San Jose, Costa Rica. Additionally, we began to operate the B787 Dreamliner on routes to and from Europe. During this initial phase, the B787 will operate on the routes Bogotá-Madrid, Cali-Madrid and Medellin-Madrid. This modern and much more cost efficient aircraft will progressively continue to replace the Airbus A330 currently in use and will allow us to better serve our clients while improving our cost structure.

During the quarter, we continued with our fleet renovation and modernization plan. Between April and June 2015, the Company took delivery of four aircraft: one A319 equipped with sharklets, one B787 Dreamliner, and two Cessna 208 turboprops, while phasing- out one A320, one B767F and three ATR-42 turboprops. Consequently, Avianca Holdings S.A. and its subsidiaries ended the quarter with a consolidated operating fleet of 173 aircraft.

In furtherance of delivering value to our shareholders, and after a thorough and diligent process that began several years ago, we are pleased to announce we have entered into an investment agreement with Advent International, in which Advent acquired a 30% minority shareholding interest in LifeMiles, for an amount of US\$349 million, while Avianca Holdings maintains a 70% shareholding interest in the Company. Going forward, we expect the benefits of this transaction to translate into a more robust and developed loyalty coalition program that will allow the company to capture additional growth opportunities.

All of us at Avianca, including the Board of Directors, our management team and our employees, are fully engaged on successfully moving the Company through the current economic environment. We acknowledge the difficulties and are therefore revising downwards our EBIT margin guidance for 2015 to a range of 5.5%-7.5% for the year.

We remain confident in the significant growth opportunities ahead and we are taking the right steps to optimize our processes, implementing our cost cutting initiatives so that we can deliver long-term value for our shareholders.

Sincerely,
Fabio Villegas Ramirez
Chief Executive Officer

25 AUGUST 2015

ARTICLE LINK:

<https://50skyshades.com/news/finance/avianca-holdings-reports-an-adjusted-operating-profit1-of-51-million-for-the-second-quarter-of-2015>