

# Third Quarter 2018 Results Presentation

---

November 21, 2018



# Third Quarter 2018 Highlights



Operating income of US\$175 million and operating margin of 7.0%



Revenue per ASK decreased 6.3%\* as demand was affected by the sudden devaluation of the Brazilian and Argentine currencies



Cost per ASK decreased 5.2%\*, including US\$185 million of fuel cost impact. Cost per ASK excluding fuel improved 16.1%\* YoY



Fleet commitments for the period 2018-2021 reduced by US\$2.3 bn, 41% lower than previous fleet plan



Chile's Competition Court (TDLC) approved the JBAs between LATAM Airlines Group and American Airlines and IAG

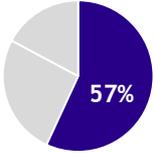
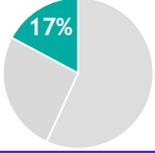


LATAM Airlines Brazil filed documentation to CVM regarding its intention to pursue the acquisition of the minority interest of Multiplus

# Q3 2018 Financial Summary

(US\$ Millions)	3Q18	3Q17	Change	9M18	9M17	Change
<b>Total Operating Revenues</b>	<b>2,492</b>	<b>2,645</b>	<b>-5.8%</b>	<b>7,580</b>	<b>7,396</b>	<b>2.5%</b>
Passenger	2,107	2,225	-5.3%	6,382	6,220	2.6%
Cargo	279	272	2.5%	874	782	11.8%
Others	106	147	-28.2%	324	394	-17.8%
<b>Total Operating Costs</b>	<b>-2,317</b>	<b>-2,401</b>	<b>-3.5%</b>	<b>-7,170</b>	<b>-6,952</b>	<b>3.1%</b>
Fuel	747	562	32.9%	2,151	1,668	28.9%
Ex-fuel	1,570	1,839	-14.6%	5,019	5,284	-5.0%
<b>Operating Income</b>	<b>175</b>	<b>244</b>	<b>-28.3%</b>	<b>410</b>	<b>445</b>	<b>-7.8%</b>
Operating Margin	7.0%	9.2%	-2.2 p.p.	5.4%	6.0%	-0.6 p.p.
<b>Net Income (Loss)</b>	<b>53</b>	<b>161</b>	<b>-67.0%</b>	<b>33</b>	<b>88</b>	<b>-62.2%</b>
Foreign Exchange Gains/Losses	-68	59	NM	-146	48	NM
<b>EBITDAR</b>	<b>554</b>	<b>636</b>	<b>-12.9%</b>	<b>1,550</b>	<b>1,635</b>	<b>-5.2%</b>
EBITDAR Margin	22.2%	24.0%	-1.8 p.p.	20.5%	22.1%	-1.7 p.p.

# Third Quarter 2018 Operating Statistics

% YoY	System Capacity	Capacity	Traffic	Load Factor	RASK/RATK (USc) <sup>1</sup> (% YoY)
International (Long Haul & Regional)		+8.3%	+2.7%	83.3% (-4.5 p.p.)	6.0 (-6.5%)
Domestic Brazil		+2.5%	-0.1%	81.6% (-2.1 p.p.)	5.7 <sup>2</sup> (-9.5%)
SSC Domestic		+3.6%	+3.3%	81.4% (-0.3 p.p.)	7.1 (+0.2%)
<b>Passenger</b>		<b>+5.9%</b>	<b>+2.1%</b>	<b>82.5%</b> (-3.1 p.p.)	<b>5.9<sup>3</sup></b> (-6.3%)
<b>Cargo</b>		<b>+3.9%</b>	<b>+2.6%</b>	<b>53.5%</b> (-0.7 p.p.)	<b>17.1</b> (-1.4%)

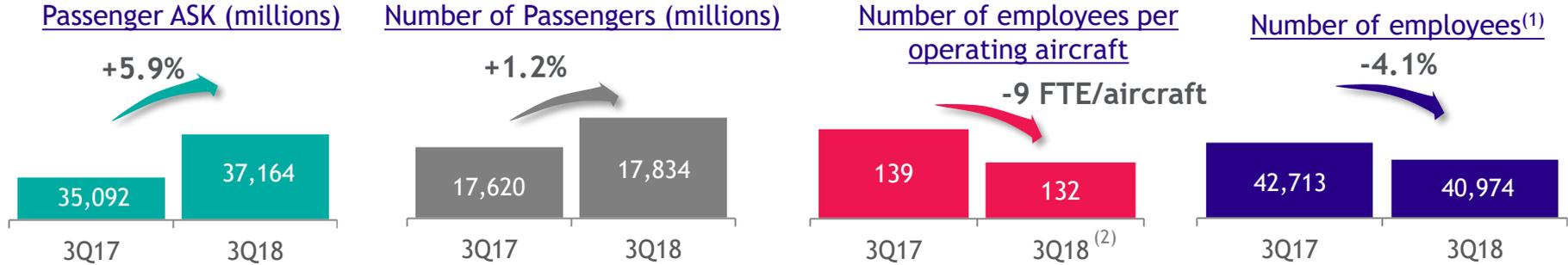
BRL  
3Q18: +11.2%

<sup>1</sup> RASK by business unit include ticket revenue, breakage, frequent flyer program contribution and ancillary revenues. Total passenger RASK considers reported passenger revenues

<sup>2</sup> Excluding proportional margin contribution from Multiplus

<sup>3</sup> Excluding IAS21 and IAS29 Financial Reporting in hyperinflationary economies in Argentina . RASK including IAS29 -10.6% YoY

# Cost per ASK excluding fuel decreased by 16.1%<sup>3</sup> YoY



Total Costs US\$MM	3Q18	3Q17	Change
Fuel Cost	747	562	+32.9%
Wages & Benefits	403	526	-23.3%
Fleet Cost	464	497	-6.7%
Others	703	815	-13.8%
Operating Costs	2,317	2,401	-3.5%
CASK	6.5	6.8	-5.2% <sup>3</sup>
CASK ex-fuel	4.4	5.2	-16.1% <sup>3</sup>

<sup>1</sup> End of period      <sup>2</sup> Excluding 2 Airbus A330 and 2 Boeing 777 leased to Wamos Air and Boeing respectively

<sup>3</sup> Excluding IAS21 and IAS29 Financial Reporting in hyperinflationary economies in Argentina. CASK including IAS21 and IAS29 -8.9% YoY and CASK ex-fuel -19.4% YoY

# LATAM is competing effectively in domestic markets with its New Sales Model and continues to expand the model to international flights



## Key differentiators



International connectivity



Key slots at most important airports



Frequent Flyer Program



**LATAM**  
Domestic Markets

9M18 LATAM  
Dom Pax  
growth YoY<sup>1</sup>



+747,687 pax

Market Share<sup>2</sup>  
Dec'17 vs  
Sept'18

64%  
Stable

59%  
↑

23%  
↓

29%  
↓

17%  
Stable

32%  
Stable

LATAM  
Load Factor

83% 82%

83% 83%

83% 82%

82% 85%

80% 79%

80% 82%

81% 82%

■ 9M18 ■ 9M17

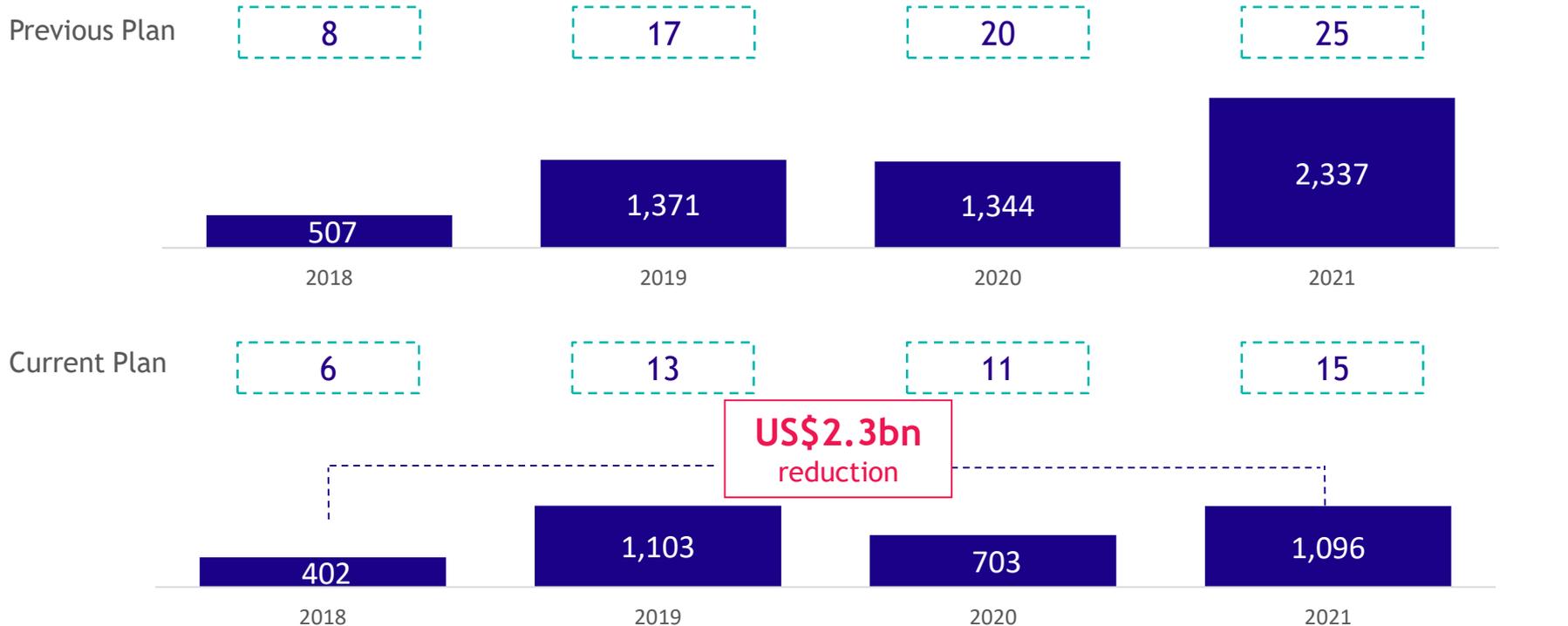
1 Source: JAC Chile, EANA Argentina, ANAC Brazil, DGAC Colombia, Ministerio de Transportes Peru, LATAM estimates for Ecuador

2 RPK for Chile, Colombia and Brazil; Pax for Peru and Argentina; ASK for Ecuador

# LATAM adjusts its fleet commitments

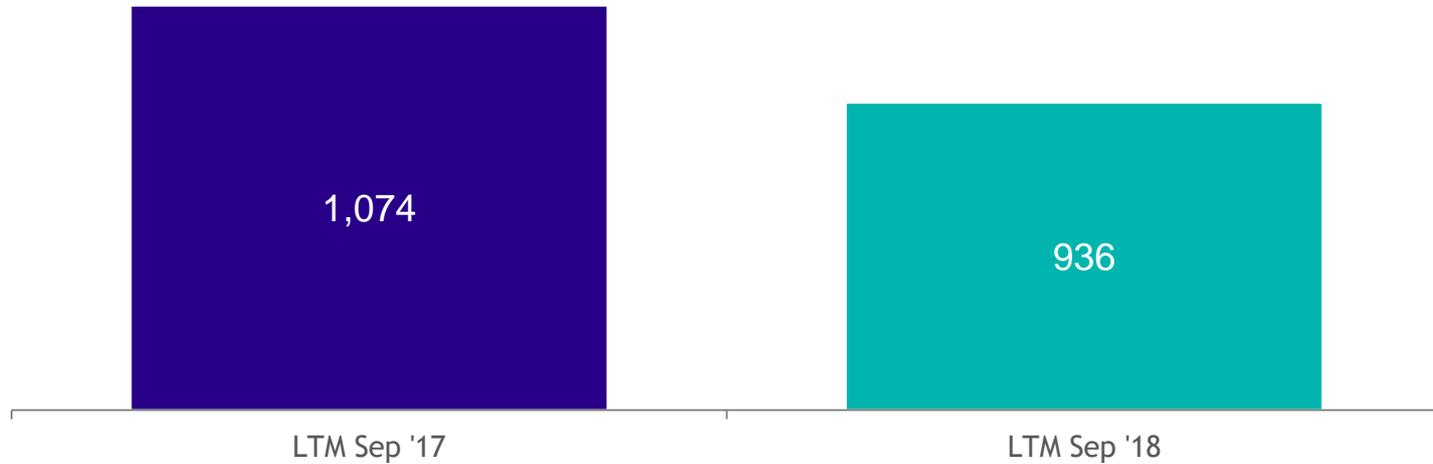
## Right-sized Fleet plan

US\$ million



# Resilient operating cash flow generation

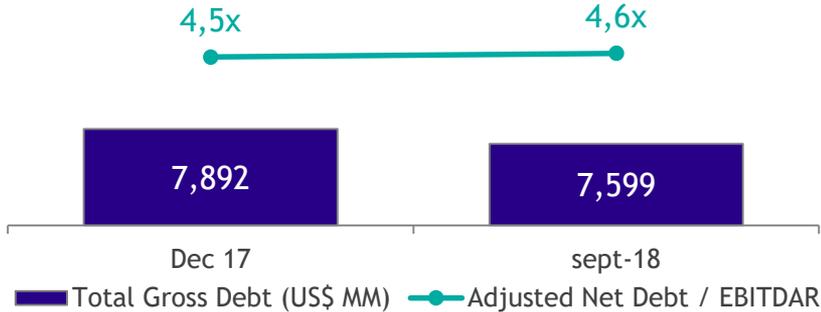
Free cash flow<sup>(1)</sup> (USD million)



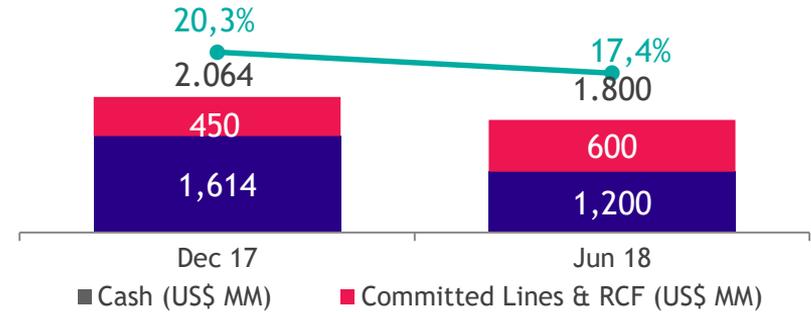
(1) Cash flow from operating activities - Cash flow used in investing activities

# Third quarter 2018 credit metrics

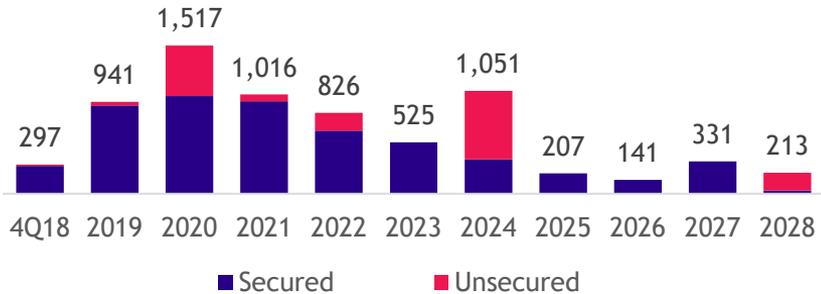
## Adjusted Net Debt<sup>(1)</sup>/EBITDAR LTM



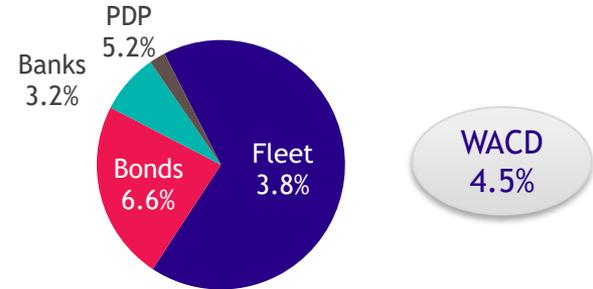
## Cash and Equivalents as % of LTM revenues



## Debt maturity profile (US\$MM) as of September 30, 2018<sup>2</sup>

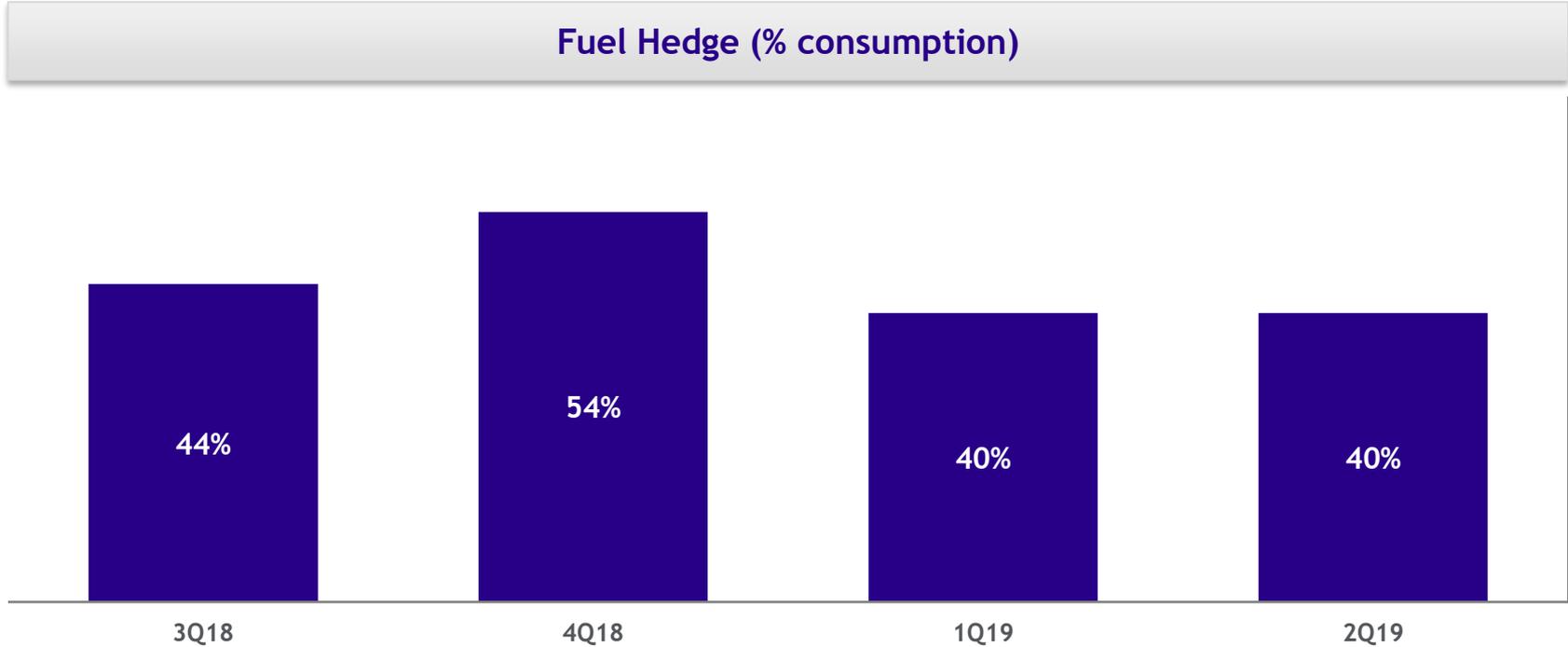


## Cost of debt as of September 30, 2018



(1) Adjusted for the capitalization of operating leases (7x yearly expense) (2) The debt maturity profile does not include PDP and short term rolling debt.

# Hedging strategy to protect medium term operational margin



# JBA with American Airlines and IAG approved in Chile

## What are the benefits?

Expands network offering more than 420 destinations in both JBA

High potential to develop new routes, more frequencies and new destinations

More flights, seamless connections, better schedules and fares between SA-US/Canada and SA-EU

## How does it work?

Revenue sharing agreement

Metal neutral agreement

Integrated network management between SA-US/Canada<sup>1</sup> and SA-EU<sup>2</sup>

All passenger and cargo traffic between SA-US/Canada<sup>1</sup> and SA-EU<sup>2</sup>

## Next steps?

Appealed by certain third parties to the Supreme Court of Chile

Pending the authorization from the DoT in the US for the JBA with American

For the JBA with IAG (British and Iberia) we are evaluating its implementation



<sup>1</sup> Except Argentina ,Ecuador, Venezuela and Bolivia

<sup>2</sup> Except Venezuela

Passenger (ASK)		International	5% - 7%
		Domestic Brazil	2% - 4%
		Domestic Spanish Speaking Countries	4% - 6%
		Total	4% - 6%
Cargo (ATK)			1% - 3%
Operating Margin (%)			6.5% - 8.0%

# Third Quarter 2018 Results Presentation

---

November 21, 2018

