



# 1Q12 Results Release



A STAR ALLIANCE MEMBER 

## Teleconferences

**Portuguese** ([click here to access](#))

May 14th, 2012

10:00 a.m (Brazil time)

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Phone: +1 (888) 843 7419 (US only)

Phone: +1 (630) 652 3042 (Other countries)

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## Highlights

### Agreement between TAM and LAN – LATAM

On January 18, 2011 LAN and TAM announced that they entered into binding agreements to combine their holdings under a single parent entity to be known as LATAM Airlines Group. The proposed combination of LAN and TAM would be among the major airline groups in the world.

LAN and TAM have successfully obtained the required registrations and authorizations in Brazil and in the United States in order to commence and complete an offer to exchange TAM shares initially for Holdco II shares and ultimately for LAN shares in the form of Brazilian Depositary Receipts (“BDRs”) in Brazil and American Depositary Receipts (“ADRs”) in the USA.

On May 7, 2012, the Brazilian Comissão de Valores Mobiliários (“CVM”) granted authorization for the registration of the LAN BDR program, which was assigned the ticker symbol “LATM11”. On the same date, the CVM and BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros (“Bovespa”) granted authorization for the registration of the exchange offer in Brazil, the terms and conditions of which are reflected in the Edital de Oferta Pública de Permuta de Ações para Cancelamento de Registro de Companhia Aberta e Consequente Saída do Nível 2 de Governança Corporativa da BM&FBOVESPA regarding TAM (the “Edital”). On May 9, 2012, the SEC declared effective the Registration Statement on Form F-4 relating to the exchange offer and combination (“Form F-4”), clearing the way for the exchange offer to commence in the USA.

Finally, on May 10, 2012, LAN and a newly formed entity Holdco II commenced the exchange offer for TAM shares simultaneously in Brazil and in the USA. The exchange offer is currently scheduled to remain open until 5:00 pm, New York time (6:00 pm, Sao Paulo time) on June 11, 2012 and the auction will be held on Bovespa at 9:00 am, New York time (10:00 am, Sao Paulo time) on June 12, 2012.

### TAM Linhas Aéreas

Based on the importance of a relationship close to clients, we launched a new campaign combining brand support and retail. With the signature “When we talk, we fly together”, the campaign reinforces the company's relationship with passengers and the company's vocations to dialogue. We wish to be in harmony with the client and are willing to hear and seek a best solution to the passenger.

Continuing the expansion our outlets and seeking passengers that are migrating to the air modal, we opened a new kiosk in a popular commerce center: the traditional São Cristóvão Fair, in the capital of Rio de Janeiro. This is one more initiative of the retail project started in August 2010. Now, we have 16 outlets in large circulation sites, divided among Casas Bahia's stores and subway stations in São Paulo, Rio de Janeiro, in addition to São Cristóvão.

Now our clients have on more facility: we started providing the option for purchasing the luggage excess in advanced. The service may be requested when acquiring the ticket by the website [www.tam.com.br](http://www.tam.com.br) or until 24 hours prior to the flight, via call center. At domestic flights or in South America, the client may purchase in advance up to 30 kilos in addition to the franchise already included in the ticket (23 Kilos), with a discount of 20% on the exceeding amount that the client would pay at the counter. At flights from and to Europe and North America the client may acquire in advance up to three extra luggage items per passenger. Although there is no discount in this case, by acquiring additional luggage prior to arriving at the airport, the passenger makes the check-in quicker and increases comfort when going onboard.

We put new layouts and functionalities on our website ([www.tam.com.br](http://www.tam.com.br)). Upon the reshaping, the website became more interactive and provides more highlight to our offers and services. The virtual store is now on the left side of the page, with options such as Check-in Web, ticket changing and sale of products like booking of car, train, hotel or entertainment activities provided by TAM Travels, in addition to travel insurance (Mondial Assistance). The store may also be minimized, maximized or having its position changed on the screen.

### Multiplus

Proceeding with the relevant fact published on November 8<sup>th</sup>, 2011, Multiplus informed that, on April 2<sup>nd</sup>, 2012, it signed the final agreements (including a shareholders' agreement) concerning the joint venture in Brazil, between the Company and Groupe Aeroplan Inc. (“Aimia”), focused on designing, development, management and consulting in analytical services intended to programs of customer loyalty and incentive to third parties, called Companhia Brasileira de Serviços de Fidelização. The operation remains subject to the approval of authorities comprising the Brazilian System of Competition Defense.

In this quarter, Multiplus entered into partnerships with two of our business units: TAM Cargo and TAM Vacations. Our Tourism operator changed its reward policy to benefit clients, making it easy the accumulation of Multiplus' points in TAM Costumer Loyalty and with TAM Cargo, the participants of Multiplus using the TAM Pre-paid Cargo service will accumulate points and may redeem them for remittance of orders.

## 1Q12 Multiplus' Highlights

In 1Q12, the partnership network was up from 191 partnerships in December 2011 to 200 in March 2012, pointing out Hotel Urbano and iMúsica. In the same period, Multiplus issued 21.2 billion points, for growth of 24.9% from the same period last year. We ended the quarter with a network of 200 partnerships and 9.8 million members, a net addition of 400 thousand members in three months.

Regarding the financial results, Multiplus registered R\$430.4 million in gross billings of points this quarter, up 26.6% on the same period last year. Net revenue was R\$347.1 million, compared with R\$242.0 million in the fourth trimester of last year. Total cost of services rendered was R\$252.6 million in the quarter, while points redeemed totaled 15.2 billion. Operating Expenses were R\$33.7 million in the quarter, with concentration in 1Q and personal expenses. Multiplus posted Net Income of R\$61.6 million, a net margin of 17.7%.

## TAM Vacations

In order to expand the participation of our tour operator in the Brazilian retail market and offer consumers more comfort when choosing their travel itineraries, TAM Vacations has just opened two franchise in Pão de Açúcar stores in Alphaville, Barueri (SP), and Vila Clementino, in São Paulo.

TAM Vacations launched its profile in social networks such as Facebook ([www.facebook.com/tamviagensoficial](http://www.facebook.com/tamviagensoficial)) and Twitter (@tamviagens). Thus, the operator aims at strengthening its relationship with its clients and making it easy the delivery of information on itineraries, as well as promoting several actions.

Our Tourism operator changed its reward policy to benefit clients, making it easy the accumulation of Multiplus points on TAM Customer Loyalty. Through this partnership, clients have more options to change points for a large variety of products.

At an event held on March 21, in Paris, by Rail Europe (RIDE 2012), TAM Vacations was distinguished with the Best Performance of Thalys award – European parts: Paris/Brussels, Paris/Amsterdam, Paris/Colonia, Brussels/Amsterdam. This award brings the joy of acknowledgement of the best efforts of our team pursuing the successful sales of a product added to the European packages, which brings our passengers' trip to become an unique experience with more comfort and quickness.

## TAM Cargo

TAM Cargo announced in April the investment of a new cargo terminal in São Paulo. With 14,000 square meters and handling capacity for 1,000 tons a day, relying on a vertical system, the new project is going to provide an increment by eight times compared to the current operation potential at the São Paulo/Guarulhos airport. The construction is estimated to begin in June this year.

As from March 2012, through a partnership with Multiplus, the participants of Multiplus using the TAM pre-Paid Cargo service will accumulate points and may redeem them by remittances of orders. With TAM Pre-paid Cargo, the client may send an order to any place in Brazil for a fixed amount, irrespective of weight, provided that the volume fits into the service exclusive box.

## TAM MRO

During this quarter, our MRO (Maintenance, Repair and Overhaul) business unit was certified by ANAC (National Agency of Civil Aviation) to provide maintenance services in ATR-72 aircraft with Brazilian registration and its components. The authorization allows us to expand our offer to third parties and assist our clients. Since July 2010, TAM MRO was certified to provide services to ATR-42 aircraft.

TAM MRO is the newest member of the Airbus MRO chain. Nowadays, TAM MRO already performs maintenance services to Airbus A320 and A330/A340 families; however, the agreement certifies it as an acknowledged service provider accredited by the aircraft manufacturer. The Airbus MRO chain comprises 18 accredited suppliers, located in several countries, all with expertise in high quality maintenance for the manufacturer's aircraft. We hope our association with that prestigious organization will help us attract new business with air companies operating Airbus aircraft, increasing the coverage of the Airbus MRO chain in South America.

## Awards

Marco Antonio Bologna, President of TAM S.A. and TAM Linhas Aéreas, was appointed as the 11<sup>th</sup> CEO with best performance in Latin America. He is the only airline company businessman in the ranking who listed the 50 best executives of the region and resulted from a survey published by Harvard Business Review (HBR), an administration and business magazine published since 1922 and bounded to the University of Harvard, in the USA. This is the first time the publication brings a ranking of CEOs in the region. Altogether, 294 presidents of 197 open capital companies of Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela have been analyzed.

TAM Linhas Aéreas appeared as the preferred airline company by the Brazilian executives in 2011 in the ranking of the Brazilian Association of Corporate Travel Agencies (Abracorp). In 2012, TAM will keep promoting the growth of corporate trips in the market. In February, the company started to allow the use in its website ([www.tam.com.br](http://www.tam.com.br)) of UATP (Universal Air Travel Plan) accounts, a global network of corporate invoicing of air tickets at low-cost.

We were awarded as the best company in Latin America as to the management of fuel for aviation in 2011. This is the third time that our Energy area is distinguished as the "Best Department of Fuel for Aviation" in the region during the annual conference of AAG (Armbrust Aviation Group).

## Financial Results

We present our results for the first quarter of 2012 (1Q12). The operating and financial information, except when indicated otherwise, are presented based on consolidated number and in Reais (R\$), according to the international accounting principles, IFRS (International Financing Reporting Standards – issued by IASB).

In the tables below all the values shown are in conformity with international accounting principles, IFRS and were originally calculated in Real and are stated in millions and cents. Therefore, (i) the results of the sum and division of some figures in the tables may not correspond to the totals shown in the same due to rounding; (ii) the outcome of the percentage changes may diverge demonstrated.

## Main Financial and Operational Indicator

<i>(In Reais, except when indicated otherwise)</i>	<b>1Q12</b>	<b>1Q11</b>	<b>1Q12 vs 1Q11</b>	<b>4Q11</b>	<b>1Q12 vs 4Q11</b>
Operational Revenue (million)	3,228.5	3,042.5	6.1%	3,579.3	-9.8%
Total Operating Expenses (million)	3,251.9	2,932.3	10.9%	3,281.4	-0.9%
EBIT (million)	(23.5)	110.2	-	297.9	-
EBIT Margin %	(0.7)	3.6	-	8.3	-
EBITDA (million)	171.8	280.2	-38.7%	485.9	-64.7%
EBITDA Margin %	5.3	9.2	-3.9 p.p.	13.6	-8.3 p.p.
EBITDAR (million)	298.2	380.5	-21.6%	611.9	-51.3%
EBITDAR Margin %	9.2	12.5	-3.3 p.p.	17.1	-7.9 p.p.
Net Income (million)	100.9	128.8	-21.7%	95.5	5.6%
Earnings per share (reais)	0.6	0.8	-21.7%	0.6	5.6%
Total RASK (cents) <sup>1</sup>	16.3	15.9	2.2%	18.1	-10.0%
Domestic RASK (cents)	11.8	12.3	-3.8%	12.7	-7.4%
International RASK (cents)	14.5	11.7	23.2%	14.1	2.9%
International RASK (USD cents)	8.2	7.0	16.2%	7.8	4.8%
Total Yield (cents) <sup>1</sup>	23.1	22.4	2.7%	26.1	-11.6%
Domestic Yield (cents)	18.1	18.2	-0.8%	19.8	-8.8%
International Yield (cents)	17.5	14.8	18.8%	17.6	-0.3%
International Yield (USD cents)	9.9	8.9	12.1%	9.8	1.5%
Load Factor %	73.5	74.0	-0.4 p.p.	72.6	0.9 p.p.
Domestic Load Factor %	68.1	70.4	-2.3 p.p.	68.0	0.1 p.p.
International Load Factor %	82.5	79.6	2.9 p.p.	79.9	2.6 p.p.
CASK (cents)	16.4	15.4	6.8%	16.6	-1.1%
CASK excluding fuel (cents)	10.0	9.8	2.0%	10.4	-3.4%
CASK USD (cents)	9.3	9.2	0.8%	9.2	0.7%
CASK USD excluding fuel (cents)	5.7	5.9	-3.8%	5.8	-1.7%

Note 1: RASK is net of taxes and Yield is gross of taxes

## Adjusted Main Financial and Operational Indicator

The Company through its subsidiary Multiplus, offers the possibility to participants in the Multiplus loyalty program to exchange airline tickets in exchange for points which are accumulated through the Multiplus loyalty program. Participants in the Multiplus program accumulate points in different ways and can exchange their points for several prizes, including airline tickets. A significant portion of points redeemed by participants of the Multiplus loyalty program is exchanged for airline tickets all of which are bought by Multiplus from TLA. The obligation of TLA to provide services to holders of reward tickets (tickets purchased by Multiplus from TLA and granted to participants of Multiplus loyalty program) ceases only when the air transportation services are provided.

In all periods through December 31, 2011, the Company has not recognized the liabilities as "Deferred revenue" for reward tickets issued but not yet flown and recognized revenue allocated to such tickets upon the exchange of points for reward tickets. As from January 1, 2012 upon exchange of points for reward tickets the Company recognizes the amount allocated to the award as "Deferred revenue" and revenue is recognized in the income statement when the holder of the ticket is transported. The cumulative effect of the adjustment recognized in the three months ended March 31, 2012 is a reduction of revenue of R\$ 98.6 million, of which R\$ 60 million is related to the domestic passenger line and R\$ 38.6 million to the international passenger line. The changes have no impact on the Multiplus S.A. Financial Statements.

In the table below we show the impact of the deferred revenue from the award ticket not flown in the 1Q12 numbers.

(In Reais, except when indicated otherwise)	1Q12		Accounting vs Adjusted
	Accounting	Adjusted	
Operational Revenue (million)	3,361.6	3,460.2	-2.8%
Domestic Pax Revenue (milhões)	1,523.4	1,583.4	-3.8%
International Pax Revenue (milhões)	1,078.7	1,117.3	-3.5%
Total Operating Expenses (million)	3,251.9	3,251.9	0.0%
EBIT (million)	-23.5	75.2	-
EBIT Margin %	-0.7	2.3	-3.0 p.p.
EBITDA (million)	171.8	270.4	-36.5%
EBITDA Margin %	5.3	8.1	-2.8 p.p.
EBITDAR (million)	298.2	396.8	-24.9%
EBITDAR Margin %	9.2	11.9	-2.7 p.p.
Total RASK (cents) <sup>1</sup>	16.3	16.8	-3.0%
Domestic RASK (cents)	11.8	12.3	-3.9%
International RASK (cents)	14.5	15.0	-3.5%
International RASK (USD cents)	8.2	8.5	-3.5%
Total Yield (cents) <sup>1</sup>	23.1	23.7	-2.8%
Domestic Yield (cents)	18.1	18.8	-3.8%
International Yield (cents)	17.5	18.2	-3.5%
International Yield (USD cents)	9.9	10.3	-3.5%

## Income Statement

(In millions of Reais)

	1Q12	1Q11	1Q12 vs 1Q11	4Q11	1Q12 vs 4Q11
<b>Operational Revenue</b>	<b>3,361.6</b>	<b>3,170.8</b>	<b>6.0%</b>	<b>3,750.2</b>	<b>-10.4%</b>
Pax Revenue	2,602.1	2,372.8	9.7%	2,712.6	-4.1%
Domestic	1,523.4	1,511.2	0.8%	1,641.4	-7.2%
International	1,078.7	861.6	25.2%	1,071.3	0.7%
Cargo	208.6	255.1	-18.2%	330.2	-36.8%
Domestic	128.7	117.7	9.3%	154.4	-16.6%
International	79.9	137.4	-41.8%	175.9	-54.6%
Other operating revenue	550.9	542.8	1.5%	707.3	-22.1%
Loyalty Program (TAM)	0.0	103.3	-	12.0	-
Loyalty Program (Multiplus)	239.2	227.0	5.4%	362.9	-34.1%
Travel and tourism agencies	20.1	14.3	40.2%	23.2	-13.7%
Others (includes expired tickets)	291.6	198.2	47.1%	309.2	-5.7%
Sales deductions and taxes	(133.1)	(128.3)	3.8%	(170.9)	-22.1%
<b>Net Operational Revenue</b>	<b>3,228.5</b>	<b>3,042.5</b>	<b>6.1%</b>	<b>3,579.3</b>	<b>-9.8%</b>
<b>Operational Expenses</b>					
Fuel	(1,266.6)	(1,057.3)	19.8%	(1,229.9)	3.0%
Marketing and related expenses	(157.4)	(237.6)	-33.7%	(262.0)	-39.9%
Leasing of aircraft, engines and equipment under operating leases	(126.4)	(100.3)	26.0%	(126.0)	0.4%
Personnel	(698.4)	(676.0)	3.3%	(684.4)	2.0%
Maintenance and reviews (excluding personnel)	(139.1)	(173.9)	-20.0%	(157.8)	-11.8%
Third party services	(224.4)	(186.7)	20.2%	(219.0)	2.5%
Landing, take-off and navigation charges	(198.7)	(164.0)	21.2%	(179.6)	10.7%
Depreciation and amortization	(195.2)	(169.9)	14.9%	(188.0)	3.8%
Aircraft insurance	(9.8)	(11.9)	-18.1%	(10.0)	-2.6%
Other	(235.9)	(154.7)	52.5%	(224.7)	4.9%
<b>Total of operational expenses</b>	<b>(3,251.9)</b>	<b>(2,932.3)</b>	<b>10.9%</b>	<b>(3,281.4)</b>	<b>-0.9%</b>
<b>EBIT</b>	<b>(23.5)</b>	<b>110.2</b>	<b>-</b>	<b>297.9</b>	<b>-</b>
Movements in fair value of fuel derivatives	54.3	55.8	-2.7%	91.3	-40.5%
<b>Operating Profit (loss)</b>	<b>30.8</b>	<b>166.0</b>	<b>-81.4%</b>	<b>389.2</b>	<b>-92.1%</b>
Financial income	1,183.3	252.4	368.8%	1,333.7	-11.3%
Financial expense	(1010.7)	-167.9	5.0	-1,516.0	33.3%
Hedge Accounting	8.5	0.0	0.0%	12.8	0.0%
<b>Income (loss) before income tax and social contribution</b>	<b>211.9</b>	<b>250.5</b>	<b>(0.2)</b>	<b>219.7</b>	<b>(0.0)</b>
Income tax and social contribution	(94.1)	(102.5)	-8.2%	(104.9)	-10.3%
<b>Income (loss) before non-controlling interest</b>	<b>117.8</b>	<b>148.1</b>	<b>-20.4%</b>	<b>114.8</b>	<b>0.0</b>
Non-controlling interest	(16.9)	(19.3)	-12.1%	(19.3)	-12.2%
<b>Net Income</b>	<b>100.9</b>	<b>128.8</b>	<b>-21.7%</b>	<b>95.5</b>	<b>5.6%</b>

## Main Revenue and Expenses per ASK

(In Reais cents per ASK)

	1Q12	1Q11	1Q12 vs 1Q11	4Q11	1Q12 vs 4Q11
<b>Operational Revenue</b>	<b>17,0</b>	<b>16,6</b>	<b>2,1%</b>	<b>19,0</b>	<b>-10,5%</b>
Pax Revenue	13,1	12,4	5,6%	13,7	-4,3%
Cargo	1,1	1,3	-21,2%	1,7	-37,0%
Other operating sales and/or services revenue	2,8	2,8	-2,2%	3,6	-22,3%
Sales deductions and taxes*	(0,7)	(0,7)	0,0%	(0,9)	-22,3%
<b>Net Operational Revenue (RASK)</b>	<b>16,3</b>	<b>15,9</b>	<b>2,2%</b>	<b>18,1</b>	<b>-10,0%</b>
<b>Operational Expenses</b>					
Fuel	(6,4)	(5,5)	15,4%	(6,2)	2,8%
Selling and marketing expenses	(0,8)	(1,2)	-36,2%	(1,3)	-40,0%
Aircraft, engine and equipment leasing	(0,6)	(0,5)	21,4%	(0,6)	0,2%
Personnel	(3,5)	(3,5)	-0,5%	(3,5)	1,8%
Maintenance and reviews (except personnel)	(0,7)	(0,9)	-22,9%	(0,8)	-12,0%
Outsourced services	(1,1)	(1,0)	15,8%	(1,1)	2,3%
Landing, take-off and navigation charges	(1,0)	(0,9)	16,7%	(0,9)	10,5%
Depreciation and amortization	(1,0)	(0,9)	10,7%	(1,0)	3,6%
Aircraft insurance	(0,0)	(0,1)	-21,1%	(0,1)	-2,8%
Other	(1,2)	(0,8)	46,9%	(1,1)	4,7%
<b>Total of operational expenses (CASK)</b>	<b>(16,4)</b>	<b>(15,4)</b>	<b>6,8%</b>	<b>(16,6)</b>	<b>-1,1%</b>
<b>Spread (RASK - CASK)</b>	<b>(0,1)</b>	<b>0,6</b>	<b>-</b>	<b>1,5</b>	<b>-</b>

## Management Report

### Gross Revenue

Increase of 6.0% in 1Q12 compared to 1Q11, reaching R\$ 3,361.6 million, due to:

#### Domestic Revenue

Revenues from our domestic passenger business increased by 0.8% to R\$1,523.4 million in the first quarter 2012. This was due to a 1.7% increase in RPKs, combined with a 0.8% reduction in yield. Our supply in ASKs rose 5.1%, reducing the load factor by 2.3 p.p., to 68.1%. The combination of these factors led to a 3.8% decrease in our domestic RASK.

#### International Revenue

Revenues from our international passenger business increased by 25.2% to R\$1,078.7 million in the first quarter 2012. This was a result from a 5.3% growth in demand measured in RPKs, combined with an increase in our international yield in dollars of 12.1%. Expressed in Reais, our international yield increased by 18.8%. The increase in supply was 1.6%, which led to an increase of our load factor to 82.5% in the quarter. As a result our international RASK in dollars raised 16.2%, while in reais the increase was of 23.2%.

#### Cargo Revenue

Revenues from our cargo business reduced by 18.2% to R\$550.9 million in the first quarter of 2012, as a result of a 9.3% increase in our domestic and a 41.8% decrease in our international cargo business.

To provide better transparency of cargo revenue's statement, we are now publishing the revenues net from commission. This change significantly impacts the international market due to the commercial nature of this market. Excluding this effect we would see a 10.5% increase in total revenues and 12.6% in 1Q12 international revenue.

#### Other Revenues

Revenues from our other businesses increased by 1.5% to R\$550.9 million in the first quarter 2012. The redemption of points Multiplus registered an increase of 5.4%, revenue from travel and tourism agency (TAM vacations) recorded an increase of 40.2% and the loyalty program (TAM Loyalty) registered no revenues, because all points of the loyalty program issued until the end of 2009 ended entirely in 2011. Revenue from Multiplus redemption points was impacted by the deferral of revenue resulting from the award ticket not flown.

#### Operational expenses

Our operating expenses increased by 10.9% to R\$3,251.9 million in the first quarter of 2012, compared to R\$ 2,932.3 million recorded in 1Q11, primarily due to the increase in fuel, aircraft, engine and equipment leasing, depreciation and amortization, third party services, landing, take-off and navigation charges and others. Our operating expenses per ASK,

or CASK, increased 6.8% to R\$16.4 cents in 1Q12, compared to R\$ 15.4 cents in 1Q11. CASK excluding fuel expenses increased 2.0% to R\$10.0 cents in 1Q12, compared to R\$ 9.8 cents in the 1Q11.

#### **Fuel**

Fuel expenses increased by 19.8%, reaching R\$ 1,266.6 million in 1Q12, compared with R\$ 1,057.3 million recorded in 1Q11, primarily due to a 19% increase in the average fuel price per liter, related to an increase of 9.1% in the average price per barrel of WTI oil, by 6.0% appreciation of the U.S. dollar against the real, and also by 0.9% increase in liters consumed, due to the 2.9% increase in flown hours. These factors were partially offset by an increase of 6.7% in the stage length (which is the average distance flown, per flight), and by the reduction of 0.4 p.p in the load factor. Fuel expenses per ASK decreased by 15.4%.

#### **Sales and marketing**

Sales and marketing expenses decreased by 33.7% to R\$157.4 million, representing 4.7% of our gross revenue in the first quarter of 2012, compared to 7.5% in the first quarter of 2011. Per ASK decreased by 36.2%. The reduction in sales and marketing line refers mainly to changes in the cargo revenue statement, where commission is reduced directly from the revenue. If we make a simulation and we use the same methodology for 1Q11, we would see a reduction of 8.0% in 1Q12 and per ASK would decrease 11.4% in the quarter.

#### **Aircraft, engine and equipment leasing**

Leasing of aircraft, engine and equipment expenses increased by 26.0% to R\$126.4 million in the first quarter 2012, mainly due to four additional aircraft classified as operating leases and one additional engine, by the appreciation of the US dollar by 6.0%, further than the average increase in the LIBOR rate which rose from 0.46% in 1Q11 to 0.77% in 1Q12. Leasing of aircraft, engine and equipment expenses per ASK increased by 21.4%.

#### **Personnel**

Personnel expenses increased by 3.3% to R\$698.4 million in the first quarter 2012, principally due to a 2.9% increase in the number of employees and an 6.17% increase in wages negotiated in December of 2011. The increase in the number of employees is mainly due to the increase of our operation, but it is important to note the gain in productivity since per ASK Personnel expenses decreased by 0.5%.

#### **Maintenance and repair (except personnel)**

Maintenance and repair expenses (excluding personnel expenses) decreased by 20.0% to R\$139.1 million in the first quarter 2012, principally by the 6.7% growth in stage length, and due to fewer C and D checks during the first quarter 2012. This decrease was partially offset due to an increase of 9 aircraft in our fleet, a 2.9% increase in total flown hours and by the 6.0% appreciation of the U.S. dollar against the real. Maintenance and repair per ASK decreased by 22.9%.

#### **Third party services**

Third-party services expenses increased by 20.2% to R\$224.4 million in the first quarter 2012, mainly due to the increased costs directly related to the growth of our operation: i) GDS costs were impacted by the 6.0% appreciation of the US dollar; ii) costs related to the creation of LATAM. Third-party services expenses per ASK increased by 15.8%.

#### **Landing, take-off and navigation charges**

Landing, take-off and navigation charges increased by 21.2% to R\$198.7 million in the first quarter 2012, due to a 6.8% increase in kilometers flown, along with our expansion in the international market, where fees are higher and by 6.0% appreciation of the U.S. dollar against the real during the first quarter of 2012. We also had the impact of the new domestic rates in force since March/2011. Take-off, landing and navigation charges per ASK increased by 16.7%.

#### **Depreciation and amortization**

Depreciation and amortization expenses increased by 14.9% to R\$195.2 million in the first quarter 2012, principally due to the addition of 5 new aircraft to our fleet classified as financial leases, reaching 85 aircraft in that leasing model. Depreciation and amortization expenses per ASK increased by 10.7%.

#### **Aircraft insurance**

Aircraft insurance expenses decreased by 18.1% to R\$9.8 million in the first quarter 2012, principally due to the negotiation of more favorable contractual conditions, compared to 2011 and by the reduction of 1.7% in the number of passengers. This reduction was partially offset by the addition of 9 aircraft to our fleet, and by the appreciation of the U.S. dollar against the real by 6.0%. Aircraft insurance expenses per ASK decreased by 21.1%.

#### **Other**

Increase of 52.5%, reaching R\$ 235.9 million impacted mainly by revaluation of the possibility of receiving unpaid credits, Other expenses include general provisions, passenger-related expenses, interrupted flight expenses, crew-related expenses and other expenses. Per ASK increased by 46.9%.

#### **Movements in fair value of fuel derivatives**

Fuel derivatives gains (losses) resulted in a net income of R\$54.3 million for the first quarter 2012 against a gain of R\$55.8 million in the first quarter 2011. The details are available below in the section: Financial result and fuel derivatives.



## Net Financial Result

Financial expense of R\$ 181.1 million in 1Q12 against an income of R\$ 84.6 million in 1Q11. The details are available below in the section: Financial result and fuel derivatives.

## Net Income

Net income of R\$ 100.9 million due to the above explained, which represented a margin of 3.1% in the 1Q12, versus a margin of 4.2% in the 1Q11.

## EBIT

Our EBIT reached a negative R\$ 23.5 million in the 1Q12, a margin of -0.7%, representing a decrease of 4.3 percentage points compared to 1Q11, as a consequence of the increase of 6.1% on the net revenue and 10.9% on the operating expenses.

## EBITDAR

The EBITDAR reached R\$ 298.2 million in 1Q12, a margin of 9.2%, representing a 3.3 percentage point reduction compared to 1Q11, mainly due to all the factors described above about revenues and expenses.

## Finance result and fuel derivatives

(In millions of Reais)	1Q12	1Q11	1Q12 vs 1Q11	4Q11	1Q12 vs 4Q11
Finance income					
Interest income from financial investments	46.4	38.0	22.1%	45.5	2.1%
Exchange gains	1,124.7	209.2	437.6%	1,283.1	-12.3%
Financial instrument gains – WTI					
Realized	6.9	-	0.0%	6.8	0.6%
Unrealized	47.4	58.5	-19.0%	(41.7)	-
Judicial deposits	7.0	-	-	-	-
Hedge Accounting	8.5	-	-	-	-
Other	5.1	5.2	-0.7%	5.1	0.0%
Total	1,246.0	310.9	300.7%	1,298.9	-4.1%
Finance expenses					
Exchange losses	(884.0)	(57.8)	-	(1,368.8)	-35.4%
Interest expense	(117.3)	(97.9)	19.8%	(134.2)	-12.6%
Financial instrument losses – WTI					
Realized	-	(2.7)	-	(5.4)	-
Unrealized	-	-	-	131.6	-
Hedge Accounting Expenses	-	-	-	12.8	-
Other	(9.3)	(12.0)	-22.4%	(13.0)	-28.4%
Total	(1,010.7)	(170.4)	493.1%	(1,377.1)	-26.6%
Net finance result	235.4	140.5	67.5%	(78.2)	-

## Interest income from financial investments

We ended 1Q12 with approximately R\$ 2.0 billion in cash, cash equivalents. The interest income from this amount represented R\$46.4 million in the first quarter 2012, compared to R\$38.0 million in the first quarter 2011, This increase is mainly due to an increase of R\$100 million in cash comparing the 1Q12 with 1Q11.

## Exchange gains and losses

Exchange rate variation resulted in a gain of R\$240.7 million in the first quarter 2012, principally due to the variation of the exchange rate from R\$1.88 in December 31, 2011 to R\$1.82 in March 31, 2012, which impacted our U.S. dollar-denominated debt mainly related to financial leases. In the same period last year we recorded a net income of R\$ 151.4 million.

## Interest expenses

Interest expenses was R\$117.3 million in the first quarter, 2012, principally due to commercial leases and interest paid in connection with the issued debentures, bonds and other loans. In the same period last year we recorded interest expenses of R\$ 97.9 million.

### Financial instrument gains and losses – WTI

We ended the 1Q12 with a realized net gain on financial instruments of R\$ 6.9 million. Due to mark to market of our fuel hedge positions, the unrealized gains on financial instruments was R\$ 47.4 million in 1Q12 due to the variation in the price of WTI compared to strike prices.

### Judicial deposits

We ended 1Q12 with revenue of R\$7.0 million related to monetary adjustments of the judicial deposits.

### Hedge accounting

Due to mark to market of Multiplus's dollar hedge positions, the gain on financial instruments was R\$8.5 million in the 1Q12.

## Cash Flow

(In millions of Reais)	1Q12	1Q11	1Q12 vs 1Q11	4Q11	1Q12 vs 4Q11
Increase (decrease) in net cash from activities:					
Operating	259.9	(105.0)	-	535.8	-51.5%
Investing	(53.9)	(109.3)	-50.7%	(150.2)	-64.1%
Financing	(302.5)	(233.6)	29.5%	(250.6)	20.7%
Net cash increase (decrease) in cash and cash equivalents	(96.5)	(447.9)	-78.5%	135.0	-

### Cash Flow from operational activities

Net cash generated from our operating activities was R\$259.9 million in the first quarter 2012, compared to R\$105.0 million for the corresponding period in 2011. This increase is substantially due to the following main factors: a) Increase of revenue gross of 6.1%; b) Increase in costs by 10.9%; c) Increase the finance result 114.2%, this increase is substantially due to the exchange rates changes on financial liabilities; and d) Increase in the volume of redemption of Financial assets measurement at fair value through profit and loss totaling a decrease of total assets of R\$ 359.4 million.

### Cash Flow from investment activities

We invested R\$53.9 million in the first quarter 2012, compared to R\$109.3 million invested in the corresponding period in 2011. This decrease reflects the changes in the following main transactions: a) Decrease of volume of pre-delivery payment of aircrafts transactions in the amount of R\$ 104.8 million to R\$ 31.4 million in the first quarter of 2012 compared to R\$ 136.3 million in the first quarter of 2011; b) Increase in the volume of investments in property, plant and equipment, totaling R\$ 10.8 million, to R\$ 58.5 million in the first quarter of 2012 compared to R\$ 47.7 invested in the first quarter of 2011; and c) Decrease of volume of redemption of restrict cash in R\$ 28.2 million, to R\$ 28.4 million in the first quarter of 2012 compared to R\$ 56.6 recovered in the first quarter of 2011.

### Cash Flow from financing activities

Net cash used in financing was R\$302.5 million for the first quarter 2012, compared to R\$233.6 million in the corresponding period in 2011. This increase is represented substantially by: a) Increase in the volume of dividends and interest on own capital paid to non-controlling shareholders of Multiplus in the first quarter of 2012 totaling R\$ 48.2 million, to R\$ 70.2 million in the first quarter of 2012 compared to R\$ 22.0 million paid in the first quarter of 2011; b) Payment of third installment of principal of the debentures TLA totaling R\$ 50.0 million in the first quarter of 2012 (the principal repayment of this debentures began in July 2011); and c) Decrease of the amount lease payment due to: (i) renegotiation of 8 contracts in the first quarter of 2011, which changed from monthly payments to semiannual payments, which represented a decrease of R\$ 53.2 million, (ii) three new finance leases contracts signed in the first quarter of 2011 which represented an increase in payments for the first quarter of 2012 from R\$ 7.1 million and (iii) increase the value of payments in the amount of R\$ 14.9 million due to the increase of the exchange rate in the first quarter of 2012 related for the first quarter of 2011. Thus, the volume of payments represented a lower cash outflow totaling R\$ 31.2 million, to R\$ 170.1 million in the first quarter of 2012 compared to R\$ 201.3 million paid in the first quarter of 2011.

## Segmented information

In the tables below we expose discriminately the Assets and Income Statement of the Airline Operations, Multiplus and the holding TAM SA, as well as its eliminations and the consolidated result of 1Q12.

### Assets and Income Statement

(In millions of Reais)	Airline Operation	Multiplus	TAM S.A.	Total reported	Eliminations	Consolidated
<b>Total assets</b>	<b>15,414.7</b>	<b>1,181.7</b>	<b>2,386.6</b>	<b>18,983.0</b>	<b>(3,239.3)</b>	<b>15,743.6</b>
<b>Revenue</b>	<b>3,214.6</b>	<b>347.1</b>	-	<b>3,561.7</b>	<b>(333.2)</b>	<b>3,228.5</b>
Operating expenses	(3,277.5)	(286.3)	(21.3)	<b>(3,585.1)</b>	333.2	(3,251.9)
Equity	-	-	113.7	<b>113.7</b>	(113.7)	-
<b>Operating profit before changes in fair value of fuel derivatives and aircraft revaluation</b>	<b>(63.0)</b>	<b>60.9</b>	<b>92.4</b>	<b>90.2</b>	<b>(113.7)</b>	<b>(23.4)</b>
Changes in fair value of fuel derivatives	54.3	-	-	54.3	-	54.3
<b>Operating profit/(loss)</b>	<b>(8.7)</b>	<b>60.9</b>	<b>92.4</b>	<b>144.5</b>	<b>(113.7)</b>	<b>30.8</b>
Financial income	1,146.6	25.8	10.9	1,183.3	-	1,183.3
Financial expenses	(1,005.2)	(0.2)	(5.2)	(1,010.7)	-	(1,010.7)
Hedge Accounting expenses	-	8.5	-	8.5	-	8.5
<b>Profit/(loss) before income tax and social contribution</b>	<b>132.7</b>	<b>94.9</b>	<b>98.0</b>	<b>325.6</b>	<b>(113.7)</b>	<b>211.9</b>
Income tax and social contribution	(63.6)	(33.3)	2.9	(94.1)	-	(94.1)
<b>Net Income</b>	<b>69.0</b>	<b>61.6</b>	<b>100.9</b>	<b>231.5</b>	<b>(113.7)</b>	<b>117.8</b>

### Indebtedness

In the table below we may observe that our total debt is composed by capital leases and loans, besides two debentures and three bonds issuances, totalizing, in the end of the first quarter 2012, the amount of R\$ 8.4 billion, of which 91% was denominated in foreign currency (the amounts disclosed in the table are the contractual undiscounted cash flows and include interest).

### Breakdown and maturity of financial debt

(in thousands of Reais)	As of March 31, 2012							
	Lease Payable	Loans	Debentures	Bonds	Total	% Total	Leases not included in the Balance Sheet	Total Debt Adjusted
<b>Short Term</b>								
2012	889,750	1,041,030	331,986	164,849	2,427,615	22%	355,247	2,782,862
<b>Long Term</b>								
2013	550,622	8,318	76,126	139,804	774,870	7%	206,211	981,081
2014	704,405	2,265	144,316	164,849	1,015,836	9%	196,409	1,212,244
2015	615,241	1,203	132,290	164,849	913,582	8%	138,742	1,052,324
2016	534,921	1,203	120,240	164,849	821,212	7%	106,949	928,161
2017	505,494	1,203	108,531	692,143	1,307,371	12%	63,603	1,370,974
from 2017	1,868,144	4,905	0	1,847,767	3,720,816	34%	137,353	3,858,168
<b>Total</b>	<b>5,668,577</b>	<b>1,060,126</b>	<b>913,490</b>	<b>3,339,109</b>	<b>10,981,301</b>	<b>100%</b>	<b>1,204,514</b>	<b>12,185,814</b>
Discount effect	-1,043,297	-40,055	-186,291	-1,311,062	-2,580,705	-24%	0	-2,580,705
<b>Accounting value</b>	<b>4,625,280</b>	<b>1,020,070</b>	<b>727,199</b>	<b>2,028,046</b>	<b>8,400,596</b>	<b>76%</b>	<b>1,204,514</b>	<b>9,605,109</b>
In Foreign Currency	99%	99%	0%	100%	91%	0%	100%	92%
In Local Currency	1%	1%	100%	0%	9%	0%	0%	8%

Considering also the debt related to operating leases which is not in our balance sheet, our debt reaches R\$ 9.6 billion, of which 92% is foreign currency denominated.

## Hedge

### Current Position

	Volume <sup>1</sup>	Strike <sup>2</sup>	Cobertura <sup>3</sup>
2Q12	1,125	81.7	28%
2S12	2,100	81.9	25%
1S13	1,200	86.9	14%
2S13	1,050	87.0	13%
1S14	150	80.0	2%
<b>Apr12 - Mar13</b>	<b>3,825</b>	<b>82.6</b>	<b>23%</b>
<b>Apr13 - Mar14</b>	<b>1,725</b>	<b>86.6</b>	<b>11%</b>

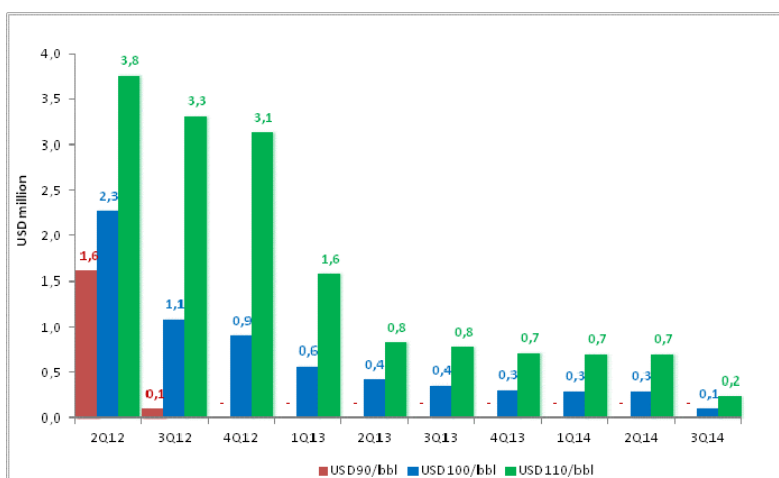
1 - Volume in thousands of barrels  
 2 - Average Strike (USD/barrel)  
 3 - Projected consumption coverage

Our hedge policy states a minimum coverage of 20% of the estimated consumption of 12 months and a minimum of 10% between the thirteenth and the twenty fourth months on a rolling basis. In this table we show our current fuel hedge position, with the volume of coverage, the average strike price and the percentage of projected consumption coverage.

For the next 12 months we have coverage for 23% of our consumption with an average strike price of US\$ 82.6 per barrel. Between April 2013 and March 2014, our percentage of coverage is 11% of projected consumption with an average strike of US\$ 86.6 per barrel.

### Cash flow's Impact

Based on the chart in the right), we present a cash impact sensitivity analysis with our hedge positions until the third quarter 2014, assuming different scenarios with average WTI prices in 90, 100 and 110 dollars per barrel. At levels around US\$ 90 per barrel, our cash flow is almost neutral and with a barrel above that value we have cash inflows.



### Multiplus Derivatives

As Multiplus is exposed to foreign exchange risk as part of its normal commercial activities, considering that most of the point sale agreements with financial institutions are quoted in U.S. dollars. These partners represented approximately 70% of Multiplus' sales on the quarter.

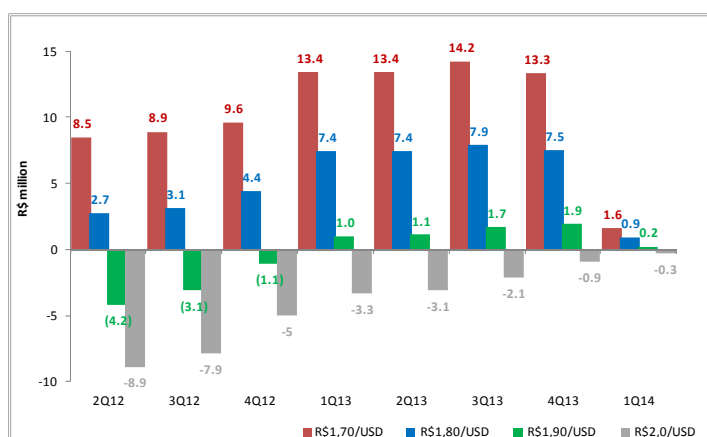
Since December 2010, a financial risk policy was approved, determining coverage limits and the list of financial instruments allowed, in addition to the rules related to eligibility and concentration by the counterpart.

### Current Position

	2012	2013	2014	Total
<b>Volume</b>	<b>228.0</b>	<b>283.0</b>	<b>8.0</b>	<b>519.0</b>
PUT*	1.8	1.9	1.9	1.9
CALL*	1.9	2.0	2.0	2.0

\* Average price (R\$ / USD)

### Cash Impact Sensibility



## Market

	1Q12	1Q11	1Q12 vs 1Q11	4Q11	1Q12 vs 4Q11
<b>Domestic Market</b>					
Industry					
ASK (million)	31,050	27,891	11.3%	30,243	2.7%
RPK (million)	21,563	20,106	7.2%	20,800	3.7%
Load Factor (%)	69.4	72.1	-2.6 p.p.	68.8	0.7 p.p.
<b>International Market</b>					
Industry					
ASK (million)	8,206	8,404	-2.3%	8,261	-0.7%
RPK (million)	6,611	6,428	2.8%	6,439	2.7%
Load Factor (%)	80.6	76.5	4.1 p.p.	77.9	2.6 p.p.

### Domestic Market

The first quarter is characterized by leisure passengers traveling on school holidays and carnival period. As well as the high utilization of the loyalty program reward tickets.

The domestic market presented a supply growth (in ASKs) of 11.3%, when comparing the 1Q12 to 1Q11 and 7.2% growth in demand (in RPKs) in the same period. Due to these factors, the load factor of the industry had a decrease of 2.6 percentage points to 69.4% in 1Q12 versus 72.1% in 1Q11.

### Domestic Market – TAM

Compared to the first quarter of 2011 we increased our Narrow Body fleet by seven aircraft. As a result our capacity increased by 4.2% in the period, which, combined with the increase of the demand by 2.4%, resulted in a load factor rate in the quarter of 68.1%, a reduction of 1.2 percentage points compared to last year's same period.

We announced changes in our network: (i) the launch of a direct flight connecting Brasilia and Aracaju, (ii) a new daily frequency between Brasilia and Manaus, (iii) and the first daily flight connecting Guarulhos to Navegantes.

### International Market

In the first quarter of 2012, we continued to observe high international demand. The industry reported a decrease in the supply (in ASKs) of 2.3% when comparing the 1Q12 with the 1Q11, and the demand (in RPKs) increased 2.8% in the same period. These factors led to an increase in the industry load factor of 4.1 p.p., from 76.5% to 80.6%, on 1Q11 and 1Q12, respectively.

### International Market – TAM

Comparing with the first quarter of 2011, we increased our Wide Body fleet in two A330 aircraft. As a result, our capacity increased by 3.4% in the period, which combined with the 7.0% demand increase, resulted in an increased of 2.7 p.p. in the quarter's load factor, reaching 82.5%.

As part of our strategy to meet clients' needs, with focus on profitability, we will increase by 62% the offer of seats between São Paulo and Miami. As from November 12<sup>th</sup> this year, we will start to operate flights already existing in the route with new Boeing 777-300 aircraft, which will be received in the second half of the year.

Since the past October we have been operating daily flights connecting Brazil and Mexico, and in March we launched one more service to clients: the web check-in service to that flight. Besides, we signed a codeshare agreement with Aeroméxico, which increases the flight options to clients. Our passengers of flights from São Paulo to Mexico City will have at their disposition an immediate connection to destinations such as Acapulco, Cancún, Ciudad Obregón, Guadalajara, León, Los Cabos, Monterrey, Poza Rica and Veracruz, in addition to any other of the 40 airports supported by Aeroméxico at that country.

## Current fleet

We finished the first quarter with 156 aircraft (excluding the ATRs).

Models	Capacity	1st Quarter							
		Total		Leasing Types				Own	
		2011	2010	Financial		Operating		2011	2010
		2011	2010	2011	2010	2011	2010	2011	2010
A330	212 / 213 seats	20	18	18	16	2	2	0	0
A340	267 seats	2	2	2	2	0	0	0	0
B767	205 seats	3	3	3	3	0	0	0	0
B777	365 seats	4	4	4	4	0	0	0	0
<b>Wide Body</b>		29	27	27	25	2	2	0	0
A319	144 seats	30	26	16	16	14	10	0	0
A320	156 / 174 seats	88	86	34	31	54	55	0	0
A321	220 seats	9	8	8	8	1	0	0	0
<b>Narrow Body</b>		127	120	58	55	69	65	0	0
ATR-42	45 seats	5	5	0	0	0	2	5	3
<b>Total</b>		<b>161</b>	<b>152</b>	<b>85</b>	<b>80</b>	<b>71</b>	<b>69</b>	<b>5</b>	<b>3</b>

This classification is in accordance with the accounting rule. Contractually, we have ten financial leaseings, 4 A319, 1A320, 1 A321 and 4 B777.

## Fleet plan

Models	2012	2013	2014	2015
A330	20			
A340	2			
A350	0			
<b>Airbus Wide Body</b>	22	20	23	24
B767	3	3	0	0
B777	8	10	12	12
<b>Total Wide Body</b>	33	33	35	36
A319	30			
A320	85			
A321	9			
<b>Total Narrow Body</b>	124	129	134	140
<b>Total</b>	<b>157</b>	<b>162</b>	<b>169</b>	<b>176</b>

## Guidance

### 2012

We have revised our domestic market supply and demand estimates for 2012, in order to ensure that our operations remain profitable. After observing the behavior of the market in recent months, we observed an elasticity of demand in relation to ticket prices and consequently decided to make the change in our guidance expecting the number of available seats on our flights in Brazil to remain flat over 2011 or decrease by up to 2% (previously expected to grow up to 2%), while demand should grow by between 7% and 9% (the previous expected growth was from 8% to 11%). Also, we revised the guidance for FX, reflecting the expectations observed in the FOCUS report. The other estimates for 2012 remain unchanged, including the fleet plan.

	Guidance 2012 Original		Guidance 2012 Reviewed		Real 2012 Jan - Mar
	Min.	Max.	Min.	Max.	
<b>Domestic Market</b>					
<b>Demand Growth (RPK)</b>	<b>8%</b>	<b>11%</b>	<b>7%</b>	<b>9%</b>	<b>7%</b>
<b>Supply growth(ASK)</b>	<b>1%</b>	<b>3%</b>	<b>-1%</b>	<b>1%</b>	<b>4%</b>
Domestic	0%	2%	-2%	0%	5%
International	1%	3%	1%	3%	3%
<b>Load Factor</b>	<b>76%</b>	<b>78%</b>	<b>76%</b>	<b>78%</b>	<b>73%</b>
Domestic	72%	74%	72%	74%	68%
International	83%	85%	83%	85%	83%
<b>Assumptions</b>					
<b>Average WTI</b>	<b>95</b>		<b>95</b>		<b>103</b>
<b>Average US dollar rate</b>	<b>1.74</b>		<b>1.82</b>		<b>1.77</b>

In the accumulated period of the first quarter of 2012 the growth of market demand was 7%, within our estimates, while the growth of our supply was 5%, higher than our guidance, the reduction in seat supply on domestic flights will be implemented by reducing the average daily aircraft utilization. In the international market, we are within our estimate, growing by 3% between January and March 2012 compared to same period in 2011.

We do not expect to open new routes in 2012, but will work for consolidating and increasing the efficiency on existing flights and increase frequencies in some international routes. We expect closing the year with an average load factor of 72% to 74% on the domestic segment and 83% to 85% in the international segment.

## Tables

### Operating data

	1Q12	1Q11	1Q12 vs 1Q11	4Q11	1Q12 vs 4Q11
<b>Total</b>					
Transported Passengers (thousands)	9,120	9,279	-1.7%	9,331	-2.3%
RPK (million)	14,576	14,126	3.2%	14,368	1.5%
ASK (million)	19,828	19,101	3.8%	19,787	0.2%
Load factor - %	73.5	74.0	-0.4 p.p.	72.6	0.9 p.p.
Break-even Load Factor - %	74.0	71.3	2.8 p.p.	73.1	0.9 p.p.
Average tariff	285	256	11.6%	279	2.3%
Flight hours	170,472	165,684	2.9%	169,067	0.8%
Kilometers flown (thousands)	105,663	98,977	6.8%	105,171	0.5%
Liters of fuel (thousands)	667,381	661,212	0.9%	681,757	-2.1%
Aircraft utilization (hours per day) <sup>1</sup>	13.3	13.2	1.1%	12.9	2.9%
Landings	79,365	79,338	0.0%	80,445	-1.3%
Stage Length	1,331	1,248	6.7%	1,307	1.8%
Total number of employees	29,961	29,110	2.9%	29,768	0.6%
- TAM Airlines	28,897	27,791	4.0%	28,752	0.5%
- TAM Mercosur	487	484	0.6%	485	0.4%
- TAM Viagens	457	395	15.7%	422	8.3%
- Multiplus Fidelidade	120	111	8.1%	109	10.1%
- Pantanal	0	329	-	0	-
WTI end (NYMEX) (at US\$/Barrel)	103.0	106.7	-3.5%	98.8	4.2%
WTI average (NYMEX) (at US\$/Barrel)	103.0	94.5	9.1%	93.8	9.8%
End of period exchange rate (R\$ / US\$)	1.82	1.63	11.9%	1.88	-2.9%
Average exchange rate (R\$ / US\$)	1.77	1.67	6.0%	1.80	-1.8%
<b>Domestic Market</b>					
Transported Passengers (thousands)	7,684	7,852	-2.1%	7,885	-2.5%
RPK domestic (million)	8,426	8,288	1.7%	8,278	1.8%
ASK domestic (million)	12,373	11,767	5.1%	12,168	1.7%
Domestic Load Factor %	68.1	70.4	-2.3 p.p.	68.0	0.1 p.p.
Market share - %	39.4	41.8	-2.4 p.p.	40.4	-1.0 p.p.
<b>International Market</b>					
Transported Passengers (thousands)	1,436	1,427	0.7%	1,446	-0.7%
RPK domestic (million) <sup>2</sup>	6,150	5,838	5.3%	6,089	1.0%
ASK domestic (million) <sup>2</sup>	7,455	7,334	1.6%	7,619	-2.2%
International Load Factor % <sup>2</sup>	82.5	79.6	2.9 p.p.	79.9	2.6 p.p.
Market share - %	88.1	85.6	2.5 p.p.	88.6	-0.5 p.p.

<sup>1</sup> does not consider maintenance and reserve aircraft

<sup>2</sup> includes TAM Mercosur data, which are not part of the ANAC release

<sup>3</sup> Exclude interns



## Condensed Balance Sheet

(In millions of Reais)	March, 31 <b>2012</b>	December, 31 <b>2011</b>	March, 31 <b>2012</b>	December, 31 <b>2011</b>
<b>Assets</b>				
<b>Current assets</b>			<b>Current liabilities</b>	
Cash and cash equivalents	553.6	650.1	Suppliers	566.0      645.7
Financial assets at fair value through profit and loss	1,344.0	1,684.9	Financial liabilities	2,021.8      1,998.0
Trade accounts receivable	2,125.8	1,819.0	Salaries and social charges	436.6      473.1
Inventories	220.1	212.6	Deferred income	1,558.1      1,472.1
Taxes recoverable	257.1	421.0	Taxes, charges and contributions	345.9      367.3
Income tax and social contribution recoverable	154.3	72.9	Income tax and social contribution	22.7      0.0
Prepaid expenses	119.2	122.0	Interest on own capital and dividends payable	0.9      18.4
Derivative financial instruments	49.0	27.2	Derivative financial instruments	9.5      27.2
Other receivables	<u>84.3</u>	<u>85.4</u>	Refinanced taxes payable under Fiscal Recovery Program	47.2      46.9
	<u>4,907.5</u>	<u>5,095.2</u>	Other current liabilities	<u>182.5</u> <u>197.4</u>
				<u>5,191.0</u> <u>5,246.1</u>
Non-current assets available for sale	18.2	21.5		
<b>Non-current assets</b>			<b>Non-current liabilities</b>	
Restricted cash	65.4	93.8	Financial liabilities	6,838.7      7,166.7
Financial assets at fair value through profit and loss	85.1	138.0	Derivative financial instruments	9.5      43.9
Deferred income tax and social contribution	38.8	48.5	Deferred income	196.0      207.8
Deposits in guarantee	61.0	57.0	Provisions	275.1      271.1
Prepaid aircraft maintenance	529.1	547.9	Refinanced taxes payable under Fiscal Recovery Program	431.2      436.4
Other non-current assets	53.1	46.8	Tax payable	0.0      3.8
Derivative financial instruments	19.9	8.6	Deferred income tax and social contribution	108.5      45.2
Property, plant and equipment	9,372.6	9,318.0	Other non-current liabilities	<u>476.3</u> <u>440.1</u>
Intangible assets	<u>592.9</u>	<u>610.0</u>		<u>8,335.3</u> <u>8,615.0</u>
	<u>10,818.0</u>	<u>10,868.6</u>	<b>Total liabilities</b>	<b>13,526.3</b> <b>13,861.1</b>
			<b>Stockholders' equity</b>	
			Capital and reserves attributable to equity holders of TAM S.A.	
			Share capital	819.9      819.9
			Capital reserve	145.8      140.4
			Profit reserve	530.0      530.0
			Carrying value adjustment	577.9      562.5
			Retained earnings	<u>100.6</u> <u>0.0</u>
				<u>2,174.3</u> <u>2,052.8</u>
			Non-controlling interest	<u>43.0</u> <u>71.3</u>
			<b>Total equity</b>	<b>2,217.3</b> <b>2,124.1</b>
<b>Total Asset</b>	<b>15,743.6</b>	<b>15,985.2</b>	<b>Total liabilities and equity</b>	<b>15,743.6</b> <b>15,985.2</b>

## Cash Flow

(In millions of Reais)	Three months period ended	
	March, 31 2012	March, 31 2011
<b>Cash flows from operating activities</b>		
Cash generated from (used in) operations (Note 14)	436.5	81.3
Tax paid	(66.2)	(76.1)
Interest paid	(110.5)	(110.2)
<b>Net cash generated from (used in) operating activities</b>	<b>259.9</b>	<b>(105.0)</b>
<b>Cash flows from investing activities</b>		
Investments in restricted cash	28.4	56.6
Proceeds from sale property, plant and equipment (PPE)/ intangible	0.3	0.8
Purchases of property, plant and equipment (PPE)	(47.8)	(21.9)
Purchases of intangible assets	(10.7)	(25.8)
Deposits in guarantee	(5.2)	0.9
Reimbursement	3.3	3.8
Deposits made	(8.6)	(2.9)
Pre-delivery payments	(18.9)	(119.9)
Reimbursement	12.6	16.3
Payments	(31.4)	(136.3)
<b>Cash flows from investing activities</b>	<b>(53.9)</b>	<b>(109.3)</b>
<b>Cash flows from financing activities</b>		
Repurchase of treasury shares	1.1	3.0
Dividends paid and interest on capital own to non-controlling shareholders of Multiplus	(70.2)	(22.0)
Short and long-term borrowings	(13.2)	(13.2)
Debentures	(50.0)	-
Capital element of finance leases	(170.1)	(201.3)
<b>Cash flows from investing activities</b>	<b>(302.5)</b>	<b>(233.6)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(96.5)</b>	<b>(447.9)</b>
Cash and cash equivalents at beginning of period	650.1	1,012.2
Cash and cash equivalents at end of period	553.6	564.3

## Glossary

### **Paid Passengers transported**

Total number of passengers who actually paid and flew on all our flights

### **RPK**

Revenue passenger kilometer, or transported passenger-kilometer, corresponding to the product of multiplying the number of paying passengers transported by the number of kilometers flown by such passengers

### **ASK**

Represents our capacity, multiplying the aircraft seating by the number of kilometer flown by the seats

### **Average tariff**

Represents the results of the total passenger revenue divided by total paid passengers transported

### **Yield**

Average amount paid per passenger to fly one kilometer

### **RASK**

Revenue per ASK, or quotient of dividing total operating revenue by the number of seats available per kilometer; the result is presented in centavos or reais per seat-kilometer

### **CASK**

Operational Expense per ASK, or quotient of dividing total operational expense by the number of seats available per kilometer; the result is presented in centavos or reais per seat-kilometer

### **Load factor**

Percentage of aircraft occupied on flights, calculated by the quotient between RPK and ASK

### **Break-even Load factor (BELF)**

Is the load factor that equalize passenger revenues and operating expenses

### **Market Share**

Company's share in the total market demand (measured in RPK)

### **Capacity Share**

Company's share in the total market offer (measured in ASK)

### **Flight Hour**

Represents the flight time of aircraft calculated from the time of departure to engine shutdown

### **Number of flight legs**

The number of operational cycles realized by our aircraft which comprises take-off, flight and landing

## Contacts

### Investor Relations:

Marco Antonio Bologna (CEO)  
Libano Miranda Barroso (CFO and Investor  
Relations Director)  
Jorge Bonduki Helito (IR )  
Suzana Michelin Ramos (IR)  
Marina Guzman (IR)

**Tel.:** (11) 5582-9715

**Fax:** (11) 5582-8149

[invest@tam.com.br](mailto:invest@tam.com.br)

[www.tam.com.br/ir](http://www.tam.com.br/ir)

### Press Agency Contact:

Phone.: (55) (11) 5582-9748/7441/7442/8795  
Cel. (55) (11) 8644-0128  
[tamimprensa@tam.com.br](mailto:tamimprensa@tam.com.br)  
[www.taminforma.com.br](http://www.taminforma.com.br)

### About TAM: ([www.tam.com.br](http://www.tam.com.br))

We operate direct flights to 42 destinations in Brazil and 19 in Latin America, United States and Europe. Through agreements with Brazilian and foreign airlines, we reach 92 Brazilian airports and 92 international destinations. Our share in the domestic market was of 38.3% in March; additionally, we are the leader among Brazilian airlines that operate routes to other countries, with 90.3% of market share in this segment. With the biggest fleet of passenger aircrafts in Brazil (156 aircrafts), we tend to our clients with the Spirit to Serve and aim at making air trips increasingly accessible to the population. We are the pioneer Brazilian airline in the launch of a fidelity program; TAM Fidelidade has distributed 18 million tickets via point redemption and is part of the Multiplus network, currently with 8.9 million associates. Member of Star Alliance – the biggest airline alliance in the world – since May 2010, we integrate a network that encompasses 1,293 destinations in 190 countries.

### Forward-looking statements:

This notice may contain forward-looking statements. These estimates merely reflect the expectations of the Company's management, and involve risks and uncertainties. The Company is not responsible for investment operations or decisions taken based on information contained in this release. These estimates are subject to changes without prior notice.