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PRESENTATION

Operator

Good day, everyone, and welcome to the LATAM Airlines Group first consolidated earnings release conference call.

Just a reminder this conference is being recorded. LATAM Airlines Group earnings release for the period was distributed on Friday, August 10. If you have not received it, you can find it on our website, www.latamairlinegroup.net, in the Investor Relations section.

At this time I would like to point out that statements regarding the Company's business outlook and anticipated financial and operating results constitute forward looking comments. These expectations are highly dependent on the economy, the airline industry, and international markets, therefore, they are subject to change.

At this time it is my pleasure to turn the call over to Mr. Alejandro de la Fuente, Chief Financial Officer of LATAM Airlines Group. Mr. de la Fuente, please begin.

Alejandro de la Fuente - *LATAM Airlines Group SA - CFO*

Thank you very much for joining us today. This is Alejandro de la Fuente and with me on the call are (inaudible) from our International Passenger division, Andre (inaudible) from our Cargo business, Andres del Valle from our Corporate Finance department, and our Investor Relations, Gisela Escobar over the phone.

In addition, this quarter I would like to welcome especially (inaudible), Head of the Domestic [Passenger Operation], who will be able to provide (inaudible) the development and operations in that market.

We hope that you have all received the press release and have been able to access the webcast presentation on our website for a better understanding of our first consolidated results as LATAM Airlines Group. Please turn to slide three.



As you know, we are very pleased that the merge with TAM was successfully completed on June 22. This quarter's income statement includes the full quarter of LAN results and the last eight days of TAM results between June 23 and June 30. For this quarter only, we will discuss the results for LAN and TAM separately because the consolidation occurred only at the end of the quarter. In the future we will report only results for LATAM Airlines Group.

Operating income for LAN during the quarter reached \$37 million, while TAM had an operating loss for the last eight days of \$14 million. Net income for LAN during the quarter reached \$5 million, while net income for TAM reached \$26 million. TAM's net income was [positive] for the last eight days of the quarter because, although the Brazilian currency depreciated, it showed an appreciation of [3.2]% the last eight days integrating an FX income of \$[57] million.

Likewise, although fuel price were down for the quarter as a whole, fuel price increased during the last eight days [illustrates] the mark-to-market gain of \$27 million for TAM's fuel hedge position. Later I will comment on the actions we are taking (inaudible) non-cash impact of FX and fuel price variation at TAM, which had a huge degree of volatility to quarterly results.

In order to better understand results for the second quarter, we will discuss both LAN and TAM's results separately for the last time. On slide four you can see the main highlights of LAN's results for the second quarter 2012. LAN Airlines reported net income of \$5 million, a decrease of [7]% compared to the second quarter 2011.

Operating margin reached 2.6%, (inaudible) as compared to last year due to difficult environment in cargo business reflected in weaker traffic growth and a 6% decline in cargo revenue. Continuous investment in the development of the operations of LAN Colombia and the one-time operating charge of \$7 million related to the successful completion of the collective bargaining process with certain unions, as well as a \$9 million in transaction costs related to merge with TAM.

Nevertheless, passenger demand remains strong in most markets providing the basis for a 14% increase in passenger revenues. This allow us to offset 5% negative impact.

Turning to slide five you can see more details the [variations] in our operating margin for the first quarter 2012. Yield showed a slightly decline both passenger and cargo business, in line with lower fuel surcharges. However, these were offset by strong growth factors especially passenger operations.

Fuel costs increased 9.1% compared to the first quarter 2011. Although LAN's jet fuel price [decreased] (inaudible) will recognize a \$3 million fuel hedge loss as compared to a \$21 million fuel hedge gain same period last year. Margins were also impacted by the one-time charges related to union negotiations and by the ongoing expenses related to the merge with TAM.

Finally, this quarter LAN Colombia recognized a \$19.5 million operating loss as we advanced in building up our domestic passenger operations as TAM. We are gradually changing the domestic fleet in Colombia replacing the Boeing 737-700 with LAN's A320 family aircraft. We ended the quarter with a fleet of six 737s and 3 A320, and we expect to add two more A320s by year-end. With this, the growth in Colombia should be between 12% and 14% a year.

We have recognized one-time costs as a result of the return of a Boeing 737 (inaudible) maintenance operations, the new reservation system, and the brand change among others. However, we are satisfied that [quality] and reliability in these cases have improved significantly in line with LAN's standards. We have other efficiency indicators as have (inaudible) efficiency indicators.

LAN Colombia is now focused on positioning the LAN brand and improving its market presence with business customers. We expect improved results the second half of the year and breakeven in 2013.

Taking a closer look at passenger operations on slide six you can see in detail the evolution of the business during the quarter. We continue to experience very solid traffic trends in most markets. Traffic grew 16% while capacity increased 9.6%. Consequently, load factors reached 82.1%.



Very high levels, especially considering that the second quarter has the weakest seasonality. Passenger yields declined 1.4% in line with the 1.7% decline in LAN's price during the quarter.

Turning to slide seven, LAN continues to expand passenger capacity [in 2012]. Passenger capacity expansion this quarter was driven by growth in our domestic margins. Routes within Chile continued to be a growth driver as well as Colombian domestic operations where capacity increased by over 17%.

Domestic operations in Argentina show an important increase, mainly due to a lower comparison basis for second quarter 2011 when demand was affected by the volcano eruption. Growth in the regional business is a result of the continuous strengthening of LAN's hub in Lima as well as commercial activities focused on stimulating demand for travel within South America.

Overall, LAN's capacity expansions remained highly diversified; that has now increased times to the consolidation with TAM. It provides the group with significant flexibility to adjust capacity deployment to demand conditions (inaudible).

Please turn to slide eight for our overview of LAN's cargo operations. The cargo business continues to face a challenging environment, reflecting the slowdown in global trade momentum. Declining cargo traffic was driven in particular by weaker imports into Latin America, especially Brazilian demand, for manufactured goods. This was partially offset by strong demand for commodities from South America, especially fresh cargo.

At the same time, both regional and international competitors continued to be active in the region. LAN's cargo traffic increased 2.2% during the second quarter while capacity declined 3.2%. The Company was able to adjust capacity (inaudible) in line with lower demand. This led to a 68.9% load factors, 0.7 point [increase] over second quarter 2011.

We expect the general market trends to continue during the second half of 2012. September and October LAN cargo will take delivery of two new 777 freighters (inaudible) as a significant competitive advantage in terms of efficiency, transporting double the capacity of the 767 with only 40% higher fuel consumption. With this aircraft LAN cargo plans to increase capacity (inaudible) Europe and on the [Delta] routes in Latin America, replacing operations currently served by the Boeing 767 freighters.

Please turn to slide nine to see the second-quarter results for TAM. These figures are expressed in Brazilian real. The second quarter 2012 some reported operating loss of BRL284 million real compared to the BRL8.8 million gain second quarter 2011. Operating results were mainly impacted by [33]% depreciation of the Brazilian real, of course denominated in US dollar, and lower revenue from multiples to the accounting changes implemented last quarter.

TAM reported a net loss of BRL928 million real. Non-operating results include a foreign exchange loss of BRL846 million real and a negative mark-to-market of fuel hedging derivatives in the amount of BRL94 million. One of the objectives of the LATAM Airlines Group is to reduce the volatility of the financial results of LATAM caused by external factors such as foreign exchange rates and fuel price fluctuation in order to mitigate the impact of exchange rate variations.

As a result of the imbalance, TAM's balance sheet accounts to an asset denominated in real and liability in US dollar. We are evaluating alternatives to move the TAM (inaudible) to the LATAM balance sheet which has the US dollar as its functional currency. Additionally, all future aircraft deliveries are to be financed by LATAM Airlines Group, even if the aircraft will be operated by TAM.

The volatility caused by exchange rate variations on the cash flows of TAM are expected to be partially mitigated over time as a result of the natural hedge provided by the diversified nature, the cash flows of LATAM Airlines Group. In order to mitigate the impact of the mark-to-market, LATAM [includes] hedges.

Starting next quarter LATAM will account for at least three of these contracts under hedge accounting. The four [derivative] mark-to-market will not be reflected on the consolidated income statement. Forward all hedgings will be done at the consolidated level by LATAM Airlines Group.



Please turn to slide 10 to see an evolution of TAM's passenger operations during the quarter. (inaudible) domestic passenger revenues amounted to BRL1.8 million, 13.6% increase compared to the second quarter 2011 in line with our guidance domestic passenger capacity increased 1.2% while revenues per ASK increased 15%, mainly driven by a 14% increase in yield.

We believe that the scenario domestic markets are still undergoing an important structural change. Brazil has historically suffered from over capacity and had low load factors compared to TAM. However we believe that conditions are in place for carriers to sustain capacity ceilings and focus increasingly on profitability. Both main players have announced capacity reductions for this year.

As you saw in our press release, we currently expect increased capacity in Brazil by between 2% and 3% this year. We expect to (inaudible) for the coming year. Our current fleet plan provides the flexibility to reduce capacity throughout (inaudible) deliveries or by allocating fleets by other LATAM business units if necessary.

Profit figures for June and July 2012 are already showing a positive trend. Profit increased over 10% the past two months as compared to 2011 with significant load factors like capital increases. For July load factor increased 85 points reaching 81.4%, the highest amount in all Brazilian domestic operators for the month.

Important to note that this increased our (inaudible) of lower average yields, part of improved revenue management and price strategy. We are optimistic about the opportunity in the Brazilian market and expect significant improvements in the short to medium term.

International passenger revenues increased 12.8% compared to the second quarter of 2011. This was mainly driven by a 14% increase in yields. Now that the merge with TAM has been completed the international passenger business both companies has combined into a single business unit which operates both the LAN and TAM brands. Please turn to slide 11.

As you know, we expect the synergies for the merge to reach between \$600 million and \$700 million before depreciation and taxes to be fully achieved four years after the close of this transaction. Between \$170 million and \$200 million may be achieved within the first 12 months. Approximately 40% of the total estimated synergies are expected to rise from revenue increases international passenger business, 20% from revenue increases in the cargo business and the remaining 20% from cost savings.

We feel very confident regarding these synergies. It is also important to note that this does not include any changes to increase profitability of the domestic Brazilian market.

Please turn to slide 12 for an update on the synergies. For our international passenger operations we have already established fare compatibility between LAN and TAM, cross-selling of LAN and TAM flights, and code shares of some international routes such as Santiago/Orlando, Santiago/(inaudible), and Santiago/London. Cross-selling will allow us to capture connectivity synergies by offering our cost customer single (inaudible) in a one-stop shop.

In addition, passengers of both airlines have access to benefit each other's frequent flyer program -- (inaudible).

LAN cargo is also advancing in achieving the expected synergies and taking advantage of the highly complementary nature of relations with the cargo division of TAM. The extensive network that TAM passenger aircraft provides (inaudible) reach over 40 domestic destinations while LAN's Brazilian (inaudible) operates freighters that can provide increased capacity for (inaudible) [routes].

All domestic and international cargo rates are still, including (inaudible) aircraft, which we commercialized under the TAM Cargo products which is well positioned in the Brazilian market. For this purpose Boeing's 737 freighters Brazilian market will be pasted with the TAM cargo stickers. The Company (inaudible) investing upgrading the cargo (inaudible) Brazil, building a new warehouse at (inaudible) airport, an enhanced cargo (inaudible) airport.

Cargo operations outside Brazil will continue to commercialize under the LAN Cargo brand which has strong brand recognition in the markets where it operates. TAM international capacity to and from Brazil previously commercialized mainly third parties being commercialized by LAN



cargo (inaudible). LATAM Airlines Group estimates one-time costs from the merge (inaudible) of approximately \$200 million, both of which are expected to be [incurred] the first 12 months after close.

These costs do not include the transaction costs that have been incurred by LAN and TAM separately until now. In the case of LAN, these costs amount to \$6.4 million the last 18 months, between 2011 and June 2012.

Please turn to slide 13. As you know, LATAM Airlines Group will have a highly diversified operation. In the passenger business capacity will be diversified among global routes as well as regional routes within South America. In addition, LATAM has domestic operations in six countries -- Brazil, Chile, Peru, Colombia, Argentina, and Ecuador. These markets represent approximately 90% of the regional traffic.

Diversification allows for more stability in the operation flow since the business have differences and abilities and react differently to macro conditions. Addition, since airplanes are a mobile asset, we benefit from flexibility reassign them to better performing markets.

Please turn to slide 14, the estimated ASK growth for 2012. We expect total passenger capacity for LATAM Airlines Group to grow between 3% and 4%, including both LAN and TAM operations. This includes grow of around 12% at LAN and a decline 1% to 2% at TAM. TAM's domestic passenger ASK Brazilian markets are expected to decrease between 2% and 3% 2012.

LAN Cargo's expected ATK growth in 2012 is between 3% and 5%, mainly driven by the delivery of (inaudible) freight the [fourth] quarter of 2012. This excludes TAM's (inaudible) capacity. We expect to provide this figure including TAM by next quarter. In general, TAM should represent around one-third LATAM's total cargo capacity.

Overall, we are optimistic about the opportunities for LATAM Airlines Group. Passenger demand continues [across] most South America and international routes. The Brazilian domestic market (inaudible) capacity providing [base for its] improved profitability.

The cargo business, although we face reduced demand on (inaudible) routes into South America, demand for north-bound roots remains strong. In addition, delivery of two 777 freighters will increase efficiency on long-haul cargo routes. The integration with TAM is proceeding smoothly with important advances during the first week of joint operations. We remain very confident that the announced synergies are achievable and that we will begin to see the positive results from the merger short term.

On slide 15 you can see the consolidated fuel hedge position for LATAM Airlines Group for the upcoming quarter. Since the closing of the transaction hedging function have been centralized for both LAN and TAM. As you can see on the slide, we have kept approximately 48% of the estimated fuel consumption for the second half of 2012 and 9% for the estimated fuel consumption for 2013.

On slide 16 you can see our fleet plans for the coming years. Among the aircraft deliveries for the second half of this year, LATAM Airline Group will receive the first 777 (inaudible) becoming one of the first airlines in the world to operate modern and efficient aircraft.

During the second quarter 2012 we successfully secured financing for all of LAN's and TAM's 2012 aircraft deliveries. Almost all of this fleet is to be incorporated at LATAM Airlines Group. Financing was done through a combination of [corporate] and agency support, including capital markets issuances, sale and leaseback transactions, and commercial financing including senior and junior debt.

In July we completed the first ever (inaudible) guarantee the funded transaction and the issuance of \$289 million we financed four (inaudible) Boeing 767. In August we completed another similarly funded transaction, \$488 million to finance two TAM Boeing 777. Both these offerings were extremely successful with (inaudible) 1.9% and [1.3].

Unfortunately, as you know, as a result of the merge, our international credit rating was lower, BBB+ -- sorry, to BB+, below investment grade. However, a solid balance sheet and healthy financial position continues to be a strategic priority for LATAM and we are working to recover our investment grade rating soon. We have already committed to a reduction of our dividend policy [30%] until we are able to recover our cash flow generation.



We are confident that we will be able to show rating agencies and markets in general that we can deliver on the expected synergies and recover our high margins short term. This concludes this presentation for today. Now we will be pleased to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Linenberg, Deutsche Bank.

Richa Talwar - Deutsche Bank - Analyst

Hello, this is actually Richa Talwar filling in for Mike. Just a few questions here. First off, on your cargo operation, in light of the two 777 freighters you are taking delivery of I was just wondering how quickly you can flex capacity down if cargo trends don't improve in the second half of the year?

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

We are the 777s late in the third quarter, early in the fourth. Those freighters will be utilized mainly to replace some capacity, one of them, some (inaudible) capacity. So we are getting the benefit of a much lower cost base on that aircraft.

The second one will be just to grow capacity. Now if need be could the capacity by (inaudible) utilization of our 737 freighters which have a higher cost and we could that fairly easy. Now we don't anticipate that being the case as the improved competitiveness of the 777 should enable us to fully utilize the additional capacity.

Richa Talwar - Deutsche Bank - Analyst

Okay, thank you. My second question is just on capacity guidance in general. Anything you can say on 2013 capacity plans at this point, or how we should -- anything you could say about how we should think about growth for the combined operation and incorporate that into our modeling would be very helpful.

Alejandro de la Fuente - LATAM Airlines Group SA - CFO

We have just done guidance for 2012, not 2013.

Richa Talwar - Deutsche Bank - Analyst

Okay, thanks. Okay, fair enough. Then if I could just squeeze in one more.

Roughly how much of your synergy targets will be realized by the changes you have made so far, such as the code sharing and cross-selling and those things that you walk through? Are there any numbers that you can put around that?

Alejandro de la Fuente - LATAM Airlines Group SA - CFO

No, no. As I mentioned, we expect to have synergies between \$170 million and \$200 million in the next 12 months. And we are very confident that that (inaudible) the expected synergies.



Jorge Vilches - LATAM Airlines Group SA - CEO, LAN Peru

This is Jorge Vilches from long-haul business; I am complement what Alejandro is saying. What we are seeing so far, even though we still don't have exact numbers on synergies achieved, we are seeing that especially on items as cross-selling the results are bigger than we expected initially.

First, we have reached a good cross-sale base earlier than we thought, earlier than we expected. And the first results in cross-selling and passengers using the code shares is significantly bigger than we expected initially.

Richa Talwar - Deutsche Bank - Analyst

Okay, that is very helpful. Thank you very much.

Operator

(inaudible), Raymond James.

Unidentified Participant

Sorry about that. Thanks for taking my question. On the Colombia operations could you provide more color on how it is progressing and if you still expect to breakeven in the second half?

Alejandro de la Fuente - LATAM Airlines Group SA - CFO

On the Colombia operations, as I explained, we have on the second quarter an impact cost of around \$19 million to \$20 million. Also then because of the change of the fleet. We are still having a lot of cost related to the brand and to replace the old (inaudible) fleet, especially in term of maintenance. But operationally we are expected to finalize this deal with the (inaudible) for 2012.

Right now we have most of the impact that we have on Colombia are related to one-time (inaudible).

Unidentified Participant

Okay. So the costs that you are seeing are one time and shouldn't be repeating next year, is that what you were saying?

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

Yes, yes. We should be much more profitable for the remainder of this year, but looking at the year as a whole for 2013 we should be breaking even next year, not this year.

Unidentified Participant

Okay, got it. Just a follow-up question on Colombia, what has the competitive response there been more recently? How is the competitive environment in Colombia?



Gisela Escobar - LATAM Airlines Group SA - Director, IR

Sorry, this is Gisela. I think that the situation we have seen competitive -- basically our main competitor there is the flagship carrier in Colombia and is very well positioned. I guess we are the brand that was not very well positioned, especially with the business sort of corporate travel which are the higher-yielding customers. So I think our challenge now is to try to position ourselves better with those passengers via a strong product and via better relationships with the travel agencies.

Unidentified Participant

Okay, understood. Thank you very much.

Operator

Eduardo Couto, Goldman Sachs.

Eduardo Couto - Goldman Sachs - Analyst

Good morning, everyone. I have two questions. The first one on capacity and the second one on the credit rating.

First, on the capacity side I look to your fleet growth for the next two years; it is growing around 15%, the size of the fleet. So my question is can you give us at least a rough idea if this new capacity is going to be added in Brazil or if it is going to be regional or if it is going to be long-haul? Just for us to understand a little bit what are the expectations for additional capacity of LATAM in the next two years? That is the first question.

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

I think as a whole looking at the passenger capacity all the fleet which is coming in and you should also be concerning that TAM has a lot of (inaudible) disposables that mainly address these regional markets and long-haul markets and some domestic markets, except Brazil. We expect to continue with the discipline that we are seeing down in Brazil, so the growth is going to be largely devoted to, again, regional traffic, (inaudible) markets, and long-haul flights.

Eduardo Couto - Goldman Sachs - Analyst

Okay, that is clear.

Jorge Vilches - LATAM Airlines Group SA - CEO, LAN Peru

If I could make a comment here -- Jorge Vilches --the long-haul extra capacity in Brazil is going to focus, is going to start -- by the end of this year we are receiving new 777s, four 777s this year. And that is going to be focused on the most profitable routes that TAM has today which are focused on the US market. So that is going to be a significant increase in needed capacity for this very good market.

It will start by this last quarter of 2012 and is going to continue on 2013. That is a big chunk of the extra capacity.

Eduardo Couto - Goldman Sachs - Analyst

It is very clear, guys. Just a second question regarding the credit ratings. Now you guys just lost the BBB, so my point is would you consider an equity offer to recover this BBB if this is necessary? Or you think this is not the case and you can recover your investment grade without raising any capital? That is the question.



Andres del Valle - LATAM Airlines Group SA - Corporate Finance

I think going forward we will see a rapid deleveraging process at the Company as the new fleet and new synergies are captured. Of course, an equity offering it always could be valid, but there is nothing concrete on that topic yet. So going forward, we expect that we have incurred that we will try to regain that investment grade level, maybe in a couple quarters time and maybe in one year, but the equity offering hasn't been decided yet.

Alejandro de la Fuente - LATAM Airlines Group SA - CFO

Not for this year. We are considering an equity offering to be for the second half of next year if needed.

Eduardo Couto - Goldman Sachs - Analyst

Okay. I was just asking that because of the strong CapEx that you also have had, so I was just wondering if you are going to be able to fund of all this CapEx and also recover the BBB. But the answer is very clear, thank you.

Operator

Nick Sebrell, Morgan Stanley.

Nick Sebrell - Morgan Stanley - Analyst

Two questions from me. First if you could expand a little bit on what is in other costs that you identified in slide five. I was wondering that seems to be separate from the merger costs from the union negotiations. I was wondering how much of that might be recurring and how much is something that is just really one-time in nature.

The second question has to do with characterizing demand. If you could talk about the strongest markets that you are covering, or in your different regions the weakest ones or alternatively which ones you think have the most room to improve that would be helpful. Thanks.

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

On other costs, the 1.3 points that we have shown here on slide number five, it is basically LATAM transaction costs for the merge. We have also the union negotiations \$7.1 million and then we have LAN Colombia also \$19.5 million and then \$3 million of fuel hedge negative. (multiple speakers)

Nick Sebrell - Morgan Stanley - Analyst

Okay. Hold on, hold, on because some of those things you talked about sound like, what is the word, integration costs or merger costs. And wouldn't that be in the CB and LATAM cost category because the other looks separate from that?

Gisela Escobar - LATAM Airlines Group SA - Director, IR

Yes, the other is basically the impact of Colombia.

Nick Sebrell - Morgan Stanley - Analyst

Okay, got it. That makes sense. So as you reach breakeven then that should shrink?

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

Yes, that should be considered as one-offs rather than permanent.

Nick Sebrell - Morgan Stanley - Analyst

Okay, great. Then regarding various regions strengths, competitive dynamics, things like that?

Jorge Vilches - LATAM Airlines Group SA - CEO, LAN Peru

While, actually in terms of the international business we see strong markets throughout our network and you can see that on our load factors. Eventually we would expect a decrease in the European markets but still we haven't seen that yet. Our load factors are good even though we don't have the same yields that we have in other markets as the North American market.

This last one is where we are going to mostly concentrate most of our increase in capacity for the next months and 2013. Not only on Brazil but also on the LAN network we are going to have an increase in this last quarter in capacity in our Lima hub connecting to the US and this connected, fitted with South American passengers. Those are the ones that we see that are still pretty strong, our northbound traffic to the US, and that is where we are going to concentrate our capacity.

So the north-south long haul is strong. European long haul respectable, although not as strong as the US. Brazil obviously you are cutting back, but maybe not due to demand. Maybe that is more of a capacity issue still. And how about if you were to talk about regional operations, Argentina to Chile or intra-Spanish speaking regional?

Jorge Vilches - LATAM Airlines Group SA - CEO, LAN Peru

Yes, that is still pretty strong. We are concentrating and we are doing a redirection of traffics to feed our main hubs now with TAM. We are interconnecting our international operations in order to bring more passengers from the short haul to the long haul and that is still strong.

We are going to do some changes in our Lima hub to strengthen it further more in the next year and we are going to bring some more passengers from Argentina, Peru, and Chile to our Rio hub to strengthen the long-haul operation there. Regarding our regional, intra-South American operations are still pretty strong.

Nick Sebrell - Morgan Stanley - Analyst

Okay, that makes sense. That leads into my last question because you talked about redirecting capacity and traffic and whatnot. How easy is it to move planes from the countries, the markets where specific registration is required? For example, I know in some of your markets you have to register the plane locally. You can't have it registered in other another country and operated by an airline there.

Is it -- assuming the LATAM group level owns the plane and is leasing it to the subsidiary, how easy is it to change registration? Is it a month process, is it a year process?



Andres del Valle - LATAM Airlines Group SA - Corporate Finance

It depends on the countries, but you are talking about Brazil needs are specific, Brazilian registrations. So today or tomorrow we have, say, idle aircraft in the Brazil market, those can be moved to Chile using a Chilean registration. Typically, even if the aircraft is financed by a third party, that process can take anything between 45 and 60 days. That is typical.

But that is something that we do on a normal basis from here to there back and forth, so it is not a big issue. We have a lot of intra-group flexibility. We also have what we call short-term subleases with is sort of a interchange. So depending on the country the answer is more specific, but we don't see that as being a hurdle.

Nick Sebrell - Morgan Stanley - Analyst

Okay, that sounds -- that is actually more efficient than I imagined. Thank you.

Operator

Stephen Trent, Citi.

Stephen Trent - Citigroup - Analyst

Good morning and thank you for taking my questions. A couple of my questions have already been answered, but just a couple of follow-ups here.

In terms of your longer-term thinking any updated idea with respect to your thoughts on global alliance membership? Is this something that you think we won't hear about for another 18-some-odd-months or do you see perhaps some modified timetable on that as you discuss that matter with your alliance partners?

Alejandro de la Fuente - LATAM Airlines Group SA - CFO

No, this is that function that we need to clarify but we have until the end of the year to (inaudible) alliance.

Stephen Trent - Citigroup - Analyst

Okay. And any update with respect to your broad thinking there? Or should we assume that you are considering all of the strategic options that you were previously considering?

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

I think all the different options are being evaluated, but no definition has been done yet. We expect to make a decision based in the next coming months.

Stephen Trent - Citigroup - Analyst

Okay, great. Just one more, one last question. I realize that LAN and TAM had very little overlap in terms of their passenger networks and in terms the slots you had to relinquish -- Brazil/Chile, Brazil/Argentina -- and then the freedom stuff via Lima. Can you tell us broadly what has been the competitive reaction in those particular areas, or has it been very quiet, or have you seen smaller or larger competitors maybe trying to lay on some capacity at those?

Gisela Escobar - LATAM Airlines Group SA - Director, IR

Steve, hi; this is Gisela. The route where we had to relinquish slots was between Sao Paulo and Santiago. Both the Chilean and the Brazilian antitrust authority established a mechanism by which we had to offer those slots every five years.

That is currently in place and basically we -- it is currently in place, but we haven't had anyone requesting the slots as yet. Basically the people who would request it are other Chilean or Brazilian airlines who are able to do -- who will be able to fly that route and we haven't had any interest as yet.

Stephen Trent - Citigroup - Analyst

Okay, very helpful. Thanks, Gisela.

Operator

Pedro Balcao, Santander.

Pedro Balcao - Santander - Analyst

This Pedro Balcao from Santander here; I have a couple of questions. My first one will be if you can shed some light on what are your plans for multiples and whether could you use it or not to help regain the investment grade?

My second one would be how do you expect TAM to evolve over the second half, and specifically if you do expect it to breakeven at the EBIT level in the second half? Finally, sorry, third one is just taking into account how difficult the cargo environment seems to be, if you keep the -- 20% of your synergies target is actually cargo revenues. Do you think it is still feasible or not? Thank you.

Alejandro de la Fuente - LATAM Airlines Group SA - CFO

So in terms of multiples we have an evaluate right now a secondary offering at the multiples level. Is this something that we need to evaluate? Maybe in the (inaudible) but it's not something (inaudible).

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

In terms of the cargo synergies, moving ahead as planned on them, based on the run rate of the target we believe it is still achievable despite the market. (inaudible) because we have a certain period of time to get to where we have targeted, so expect them to deliver the 120 million target that we [have set out].

Gisela Escobar - LATAM Airlines Group SA - Director, IR

And for the Brazilian market I think there are a few things that we have to keep in mind for the second semester. The first thing is that we expect to continue with the capacity discipline. This will give us room for operating in a much higher load factor levels than historically we have operated. So we are expecting to see something close to the mid and high 70% load factor levels for the second semester.

I think there are a few other points that are worth highlighting. First, I think the business unit structure has helped us focus on the profitability of the market, not only on the market share and capacity growth. And also the search for efficiencies and cost reduction for this market are key for regaining the profitability that we expect, especially for the domestic market.



Jorge Vilches - LATAM Airlines Group SA - CEO, LAN Peru

Also on the international market, based in Brazil, we see a very interesting opportunity in terms of revenue increase coming from yield by redesigning the fare structures in the international markets. We see a very important opportunity here.

We are currently redesigning most of the fare structures, not only in terms of prices but also in terms of regulations. And we are very confident that this is going to give us an important revenue increase not affecting load factors already in this second semester.

Pedro Balcao - Santander - Analyst

Okay, thank you. So I understand that the answer is clearly a yes regarding the EBIT margin. Thank you.

Gisela Escobar - LATAM Airlines Group SA - Director, IR

Yes.

Operator

Brian Foster, CreditSights.

Brian Foster - CreditSights - Analyst

Good morning. I just have one question. Have you guys made a decision as to whether TAM's debt will be guaranteed by the parent company?

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

I am sorry, we missed the question. Could you repeat it, please?

Brian Foster - CreditSights - Analyst

Sure. Have you guys made a decision as to whether TAM's debt will be guaranteed by the parent?

Andres del Valle - LATAM Airlines Group SA - Corporate Finance

No decision.

Brian Foster - CreditSights - Analyst

All right, thanks.

Operator

[Martin Perez], Santander.



Martin Perez - Santander - Analyst

Good morning. My question is regarding the synergies plan. What risks do you see for the execution of the plan, especially in the next 12 to 24 months probably?

Alejandro de la Fuente - LATAM Airlines Group SA - CFO

We haven't seen any significant increase. Everything is on track. As we mentioned at the beginning, expect to have this \$700 million fully achieved in the first full year, so we haven't seen anything strategically that delays, that reduce. On the contrary, we have seen more (inaudible) every day.

Martin Perez - Santander - Analyst

Okay, thank you.

Operator

Bianca Faiwichow, GMB.

At this time I am showing we have no further questions. I would now like to turn the call back over to Mr. Alejandro de la Fuente for any closing remarks.

Alejandro de la Fuente - LATAM Airlines Group SA - CFO

Thank you for joining us today. Please feel free to contact our investor relations department if you have any further questions.

We look forward to speaking with you again soon. Thank you very much and goodbye.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.

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