

# Second Quarter 2014 Results Presentation

August 2014

**GRUPO LATAM.**  
PASIÓN ES LO QUE NOS HACE VOLAR.

# 2Q14 Highlights

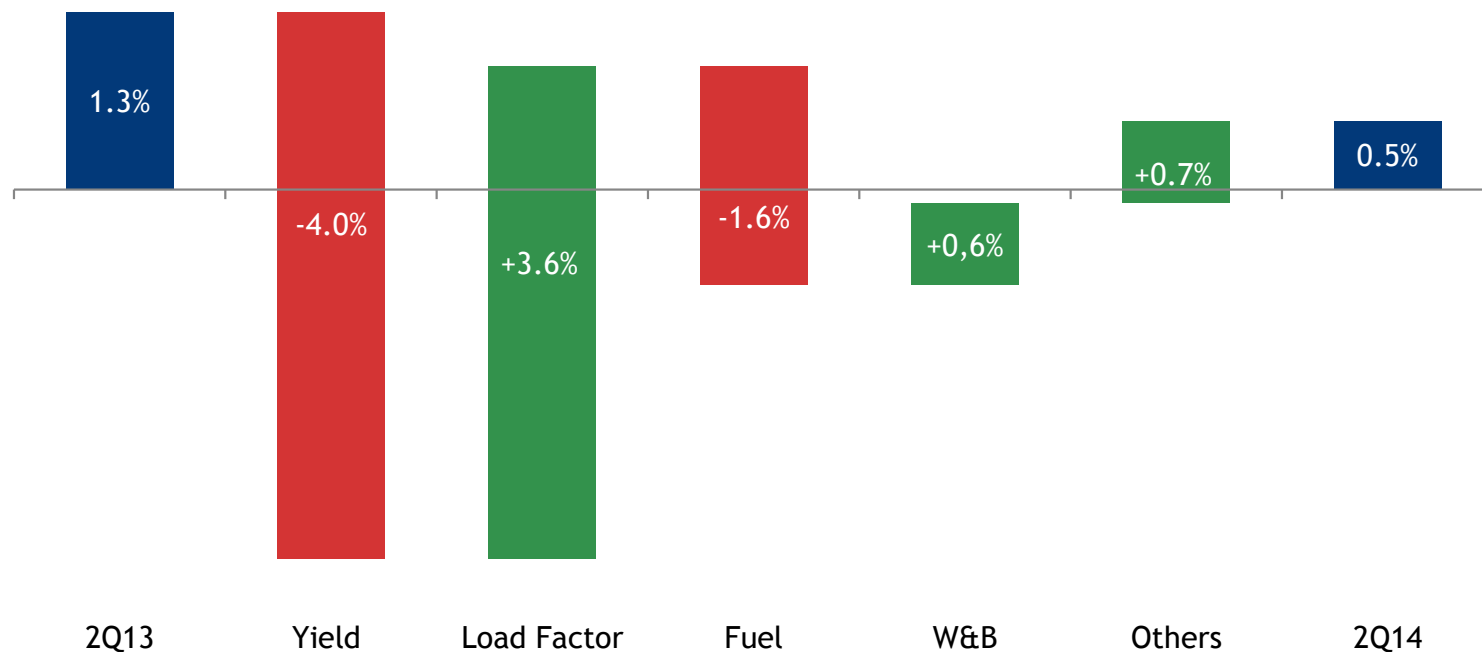
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- ★ Strong unit revenues resulting from capacity discipline, despite the weak macroeconomic environment
- ★ Positive contribution of Brazilian domestic market to our results and continued preference from corporate passenger in that market
- ★ Significant advances in our fleet restructuring plan
- ★ Successful operations during the FIFA World Cup that took place in Brazil, but recognition of a negative impact in results
- ★ Week seasonal seed exports in the cargo business

# 2Q14 and 1H14 Financial Summary

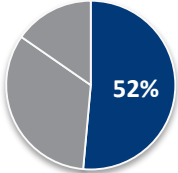
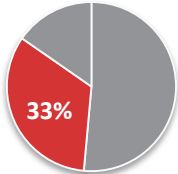
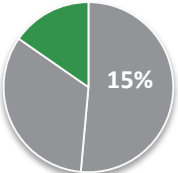

(US\$ Millions)	2Q14	2Q13	Change	1H14	1H13	Change
Total Operating Revenues	<b>3,048</b>	3,099	-1.7%	<b>6,225</b>	6,508	-4.3%
Operating Income	<b>15</b>	39	-61.0%	<b>128</b>	154	-16.7%
Operating Margin	<b>0.5%</b>	1.3%	-0.8 pp	<b>2.1%</b>	2.4%	-0.3 pp
Net Income	<b>-59</b>	-330	-82.1%	<b>-100</b>	-287	-65.1%
EBITDAR	<b>396</b>	383	3.4%	<b>882</b>	895	-1.4%
EBITDAR Margin	<b>13.0%</b>	12.4%	0.6 pp	<b>14.2%</b>	13.7%	0.4 pp

# LATAM Airlines Group operating margin 2Q2014



31,426	ASK (millions)	30,961	-1.5%
2.07	Brazilian real (US\$)	2.23	+7.9%
3.34	Fuel Price Ex-Hedge (US\$)	3.51	+5.2%
39	Op. Margin (US\$ mm)	15	-61.0%

# LATAM Airlines Group Passenger Operations 2Q14 - Revenues decreases 1.7%

		<u>Pax Capacity</u> (million ASK)	<u>Pax Traffic</u> (million RPK)	<u>Pax Load Factor</u>	<u>RASK</u> (US Cents)
<u>International</u> (Long Haul & Regional)		-1.4%	+3.4%	+3.9 pp	7.6 +1.1%
<u>Domestic Brazil</u>		-2.5%	+1.0%	+2.9 pp	9.1 +2.9%
<u>SSC Domestic</u>		+0.6%	+3.6%	+2.3 pp	8.9 -3.9%
<u>Total</u>		-1.5%	+2.6%	+3.3 pp	8.2 +1.8%

# International Passenger Business Unit

## International context

- Weaker European and Latin American markets
- Increased competition
- Depreciation of local currencies (Argentina)



Upgraded  
product with new  
business class for  
TAM's B777

Additional routes  
operated by the  
B787  
Dreamliner

Strengthening our  
Hub in Guarulhos  
and improving  
connectivity

*At LATAM we are very proud of our performance during the World Cup. Despite the negative impact on our results we strongly believe in the long term benefits for both the airline industry in Brazil and our passengers*



## LATAM Operation

- ✓ Focus on passenger service with 95% on-time performance
- ✓ Almost 3 million passengers transported
- ✓ More than 1,100 extra flights with backup aircraft
- ✓ Reinforcement of our staff with special training
- ✓ US\$140- US\$160 million impact on results mainly coming from decreased revenues

## World Cup Facts

- ✓ Played in 12 host cities
- ✓ 12 holidays in Brazil
- ✓ Traffic in domestic Brazil decreased 5.2% during June and 7.8% during in July

# LATAM Airlines Group Cargo Operations 2Q14 - Revenue decreases 12.7%

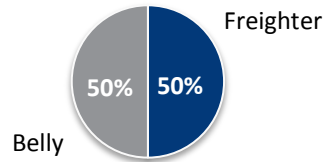
## Cargo Revenues

## Cargo Capacity (million ATK)

## Cargo Traffic (million RTK)

## Cargo Load Factor

### Cargo Operation



**-7.5%**

**-6.2%**

**+0.9 pp**



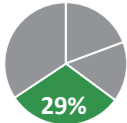
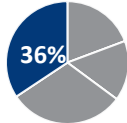
→	<u>Yield based on RTKs (US cents)</u>	40.5	<b>-6.9%</b>
→	<u>Revenues per ATK (US cents)</u>	24.1	<b>-5.5%</b>

★ Weak seed exports during the 2Q14 and reduced cargo demand during the World Cup

★ The Company continues with a rational and disciplined approach toward freighter capacity

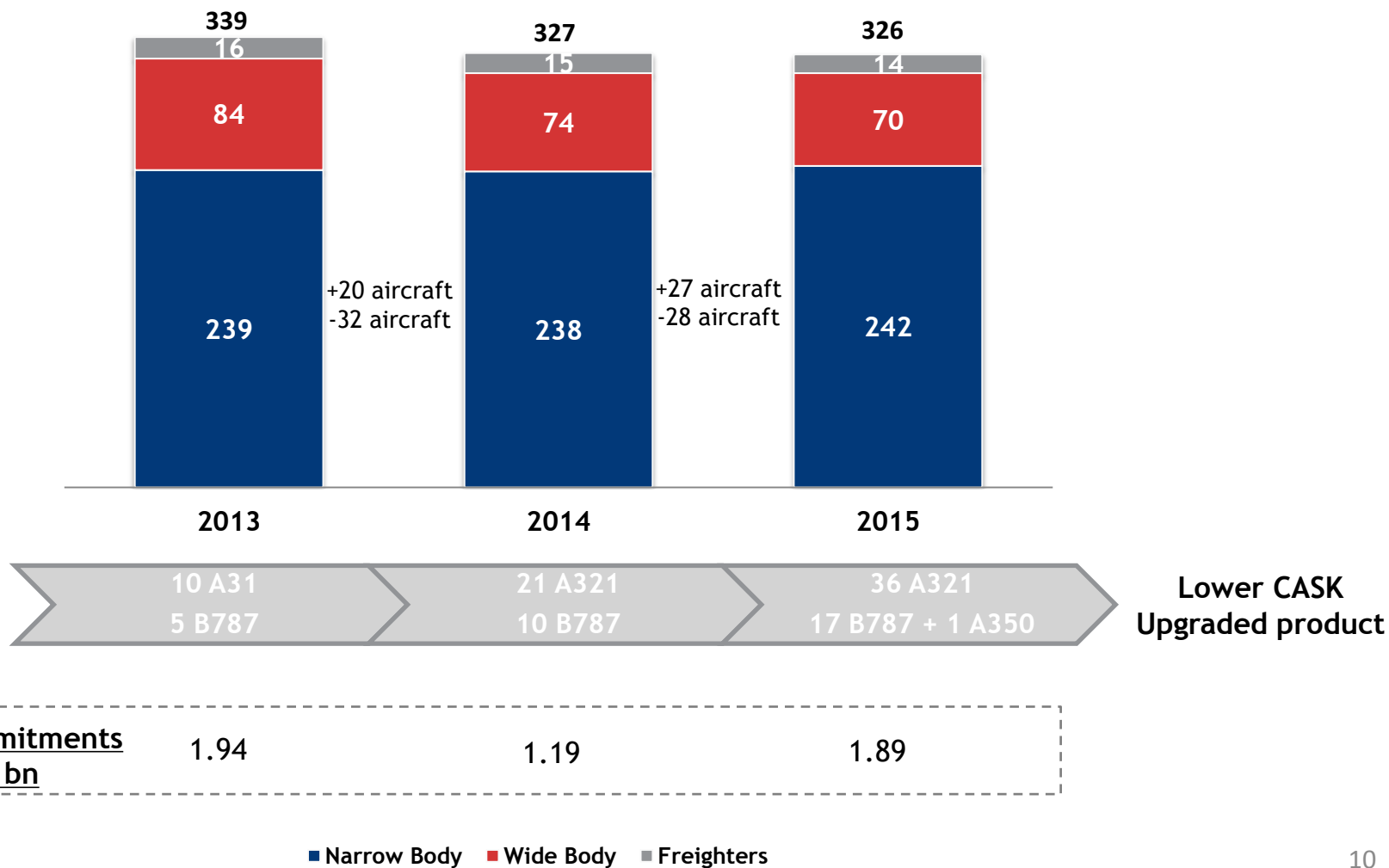


# Operating Costs during 2Q14

		<u>US\$ (mm)</u>	<u>Variation vs. 2Q13</u>
<u>Wages &amp; Benefits</u>		617	-3.7%
<u>Aircraft Costs</u>		481	+1.8%
<u>Others</u>		907	-1.3%
<u>Operating Cost ex -fuel</u>		2,005	-1.3%
<u>Operating Cost per ASK-equivalent (US Cents)</u>		5.0	+3.1%
<u>Aircraft Fuel</u>		1,027	-0.0%
<u>Total Operating Cost</u>		3,032	-0.9%
<u>Operating Cost ASK-equivalent (US Cents)</u>		5.8	+2.6%

# LATAM's fleet plan: focus on fleet renewal

## Total aircraft at the end of the year

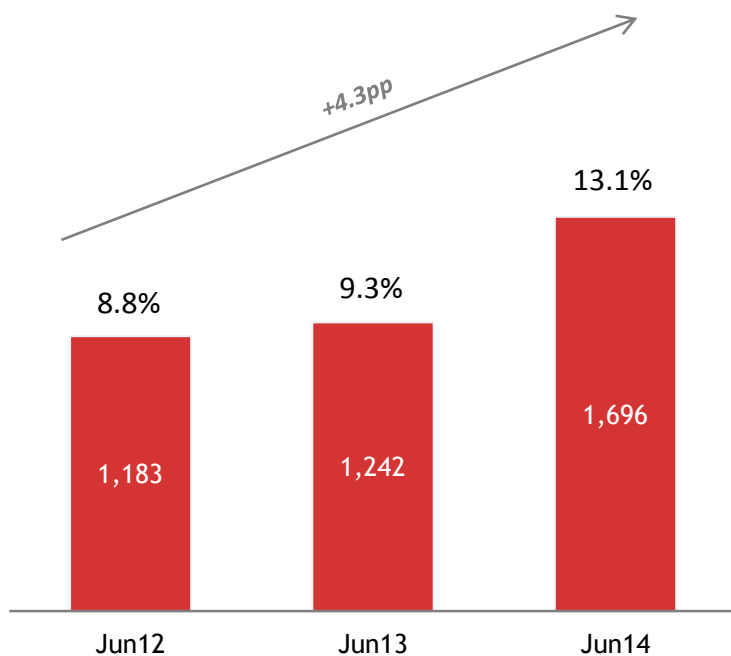


# 2014 Guidance

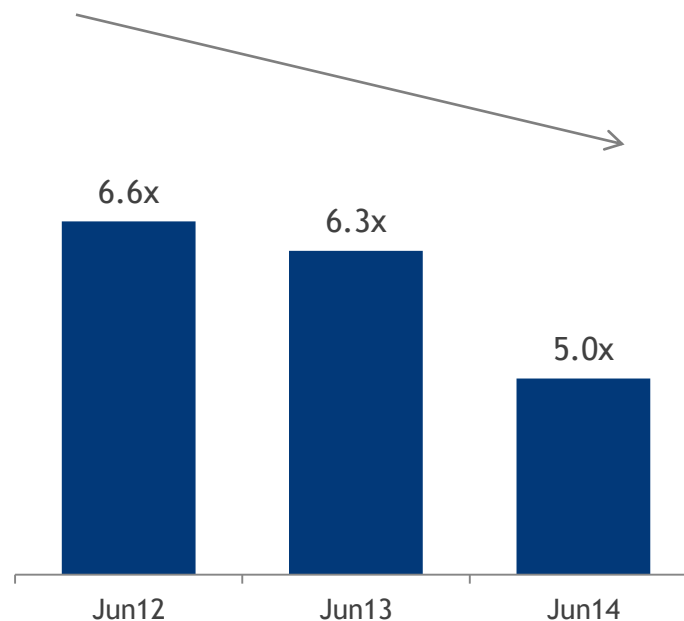
Guidance		2014 -2013
ASK Growth	International (Long Haul & Regional)	(3%) / (1%)
	Brazil Domestic	(2%) / 0%
	SSC domestic	3% / 5%
	TOTAL	(2%) / 0%
ATK Growth		(5%) / (3%)
Operating Margin (excluding non-recurring costs related to fleet restructuring)		4% / 5%
<b>Assumptions</b>		
Average exchange rate (BRL/USD)		2.34
Jet Fuel Price (US\$/bl)		120

# Solid improvement in our main financial ratios

Cash & equiv. as % LTM rev.  
(US\$mm)



Adjusted net debt / LTM EBITDAR  
(US\$mm)





Thank you

## LATAM Airlines Group - Investor Relations

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