



TAM S.A.

## 1st Quarter Results Announcement

São Paulo, May 12, 2008

### Conference calls

**Portuguese**

May 13, 2008  
10:00 am (Brazil time)  
09:00 am (US EDT)

Phone: +55 (11) 2188-0188  
Password: TAM

Replay: +55 (11) 2188-0188  
Available from 05/13/2008 until 05/20/2008  
Code: TAM

**English**

May 13, 2008  
11:30 am (Brazil time)  
10:30 am (US EDT)

Phone: +1 (973) 935-8893  
Password: 46701383

Replay: +1 (706) 645-9291  
Available from 05/13/2008 until 05/20/2008  
Code: 46701383



# Index

Highlights .....	3
Spread (RASK – CASK) .....	4
Graph 1: Trend of CASK and Spread of RASK (–) CASK .....	4
Operational Performance.....	5
Market .....	5
Graph 2 Market growth – domestic and international.....	5
Graph 3: Market share - domestic and international .....	5
Table 1: Operational data .....	6
Table 2: Fleet .....	7
Financial Performance.....	8
Revenues .....	8
Table 3: Revenue per type of service.....	8
Table 4: RASK and Yield Total, Scheduled Domestic, and Scheduled International .....	8
Costs and Expenses .....	10
Table 5: Costs and Expenses - Quarter .....	10
EBITDAR, EBITDA, EBIT and Net Income .....	13
Table 6: Calculation of EBITDAR, EBITDA e EBIT Calculation .....	13
Cash Flow .....	14
Graph 4: Cash Flow.....	14
Table 7: Cash Flow - Quarter .....	15
Table 8: Cash Flow - Year.....	16
Balance Sheet.....	17
Table 9: Balance Sheet .....	17
Indebtedness.....	18
Table 10: Breakdown and maturity of financial debt .....	18
Table 11: Breakdown and maturity of operational leases .....	18
Business Units.....	19
Loyalty Program.....	19
Maintenance Center .....	19
Stock Market.....	20
Table 12: Actual Shareholders.....	20
Graph 5: Stock Performance.....	20
Strategy & Estimates .....	21
Estimates 2008.....	22
Graph 6: Fleet Projection.....	22
Financial Reports in US GAAP.....	23
Table 13: Income Statement - Quarter .....	23
Table 14: Cash Flow .....	27
Table 15: Condensed Balance Sheet .....	28
Table 16: Breakdown and maturity of leases.....	29
Glossary.....	30
Investor Relations contacts .....	31

## Highlights

- **7.6 million passengers transported - an increase of 13%**
- **Decrease in block hours/day per aircraft from 13.0 to 12.6**
- **Gross Revenues of R\$ 2.3 billion, an increase of 22.7%**
- **Redelivery of two F100s, compensated by the delivery of 1 A320 in 1Q08 vs. 4Q07**
- **Begin of code share operations with LAN Peru**
- **IOSA certificate (IATA Operational Safety Audit) renewed until January 2010**
- **Firm contract for acquisition of 22 A350 XWBs, four A330-200s and 20 A320 aircraft**
- **Easy Web Check-in expanded for international Destinations**
- **Conclusion of 30 business agreements (SPAs), reaching 64 airline partners abroad**
- **153 thousand shares bought back**
- **Combination of TAM's Loyalty Program with Lufthansa's Miles & More**

São Paulo, May 12, 2008 – TAM S.A. (BOVESPA: TAMM4, NYSE: TAM), reports its first quarter results for 2008 (1Q08). Operational and financial data, except where otherwise indicated, are presented **based on amounts consolidated in Reais (R\$) and prepared in accordance with accounting principles generally accepted in Brazil (BR GAAP).**

### Operational Performance

#### Domestic Operations

- TAM reached **50.0% average market share in 1Q08.**
- **ASKs (capacity) increased 14.2% in 1Q08 compared to 1Q07** as a result of the increase in the operating fleet of 16 A320 and 3 A321, compensated by 13 F100 reduction and other 3 in redelivery and the reduction in block hours by aircraft from 13.0 hours/day to 12.6 hours/day (total operation).
- **RPKs (demand) increased 14.6% in 1Q08 compared to 1Q07.**
- **TAM's domestic load factor increased to 70.9% in 1Q08,** compared to 70.7% in 1Q07.

#### International Operations

- TAM reached **67.7% average market share in 1Q08.**
- **ASKs (capacity) increased 49.7% in 1Q08,** due to the increase of 2 A340 and 2 A330 and into our international operating fleet allowing the beginning of long haul daily flights to Frankfurt and Madrid. In South America we started daily flights to Caracas and Montevideo through the increase in the narrow body fleet in the region.
- **RPKs (demand) increased 61.3% comparing 1Q08 with 1Q07.**
- **TAM's international load factor increased 5.6p.p. to 76.8% in 1Q08** compared to 71.2% in 1Q07.

### Financial Performance

- Total CASK increased by 2.1% in 1Q08 compared to 1Q07, and **CASK excluding fuel decreased 5.5%.**
- **EBIT and EBITDAR margins of 0.8% and 12% respectively.**
- **Net income of R\$ 2.6 million,** a positive margin of 0.1%.
- **Our total cash and cash equivalents equalled R\$ 2,226 million.**
- **Return on Assets (ROA) of 1.1%**
- **Return on Equity (ROE) of 4.9%**

## Spread (RASK – CASK)

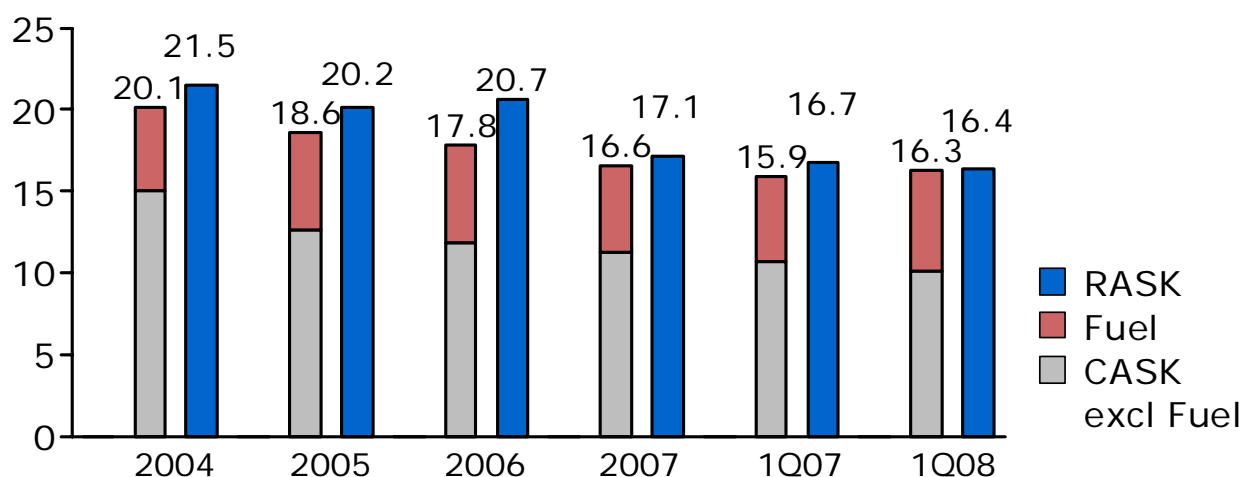
The spread between RASK and CASK was 0.1 resulting in an EBIT margin of 0.8% in 1Q08.

The main factors that contributed to the increase of 2.1% in CASK in 1Q08 were the impact by the reduction on our aircraft daily utilization from 13.0 to 12.6 hours and the increase in insurance, personnel and fuel, partially off-set by the reduction of outsourced services, aircraft and equipment leasing and maintenance and review, per ASK mainly due to the appreciation of the Real in 14.7%.

To see more details in the variation of the costs, please refer to the comments on the Financial Performance section (table 5).

**Graph 1: Trend of CASK and Spread of RASK (-) CASK**

R\$ Cents

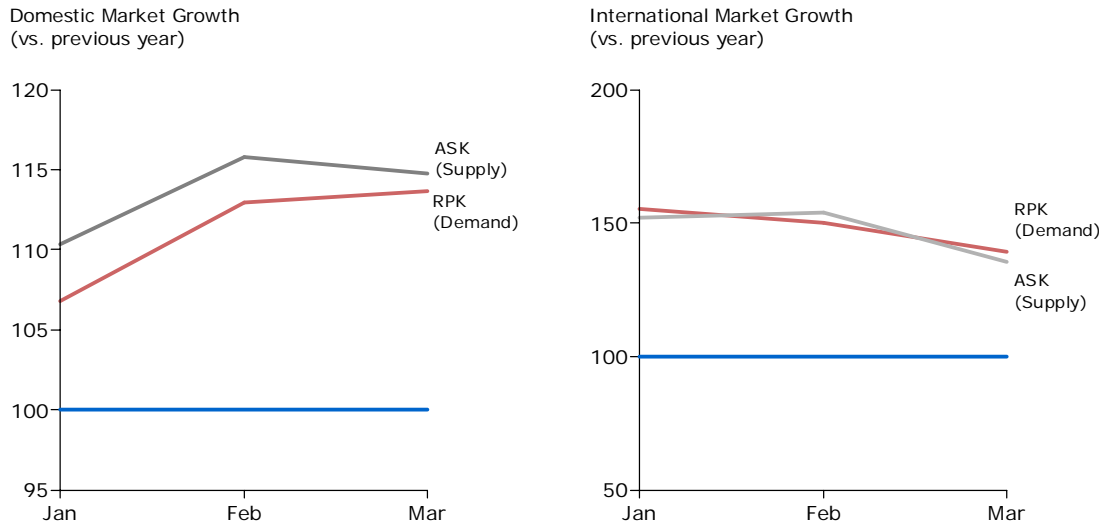


CASK	-	-7.4%	-4.2%	-7.1%	-	2.1%
CASK excl Fuel	-	-16.3%	-5.8%	-5.2%	-	-5.5%
Spread	1.4	1.5	2.8	0.6	0.8	0.1

# Operational Performance

## Market

**Graph 2: Market growth in domestic and international markets (base 100)**

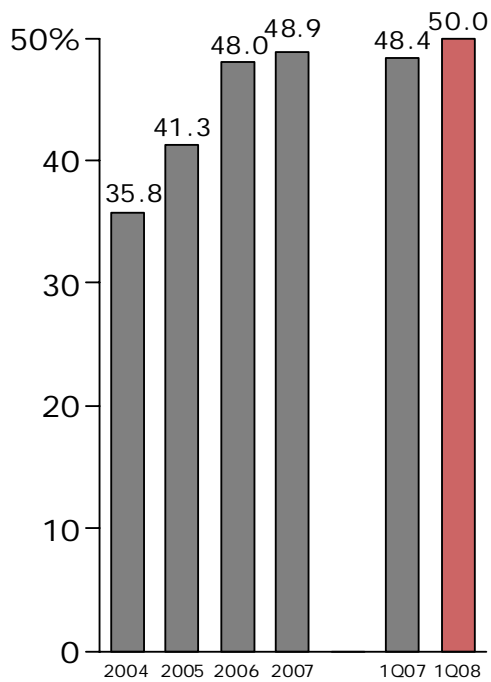


**1Q08 Growth:**

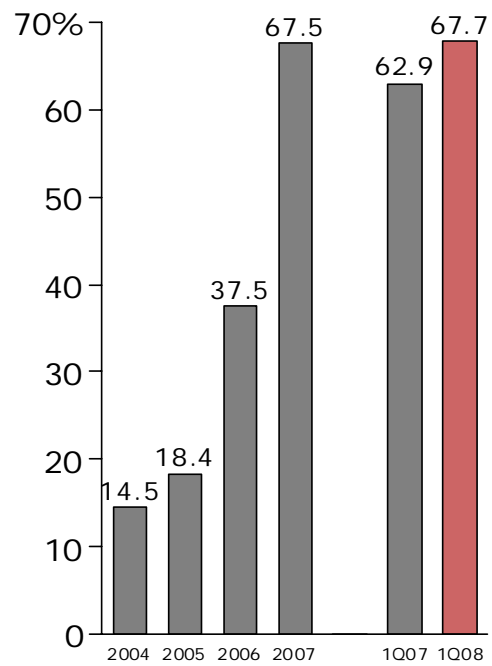
RPK (demand)	10.6%	51.8%
ASK (supply)	13.3%	46.5%

**Graph 3: TAM's Market share in domestic and international markets**

**TAM's Domestic Market Share**



**TAM's International Market Share**



**Table 1: Operating data**

	2008		2007		Variation (%)	
	1st quarter	Accum. To Mar	1st quarter	Accum. To Mar	1st quarter	Accum. To Mar
<b>Total</b>						
Passengers transported (thousand)	7,552	7,552	6,665	6,665	13.3	13.3
RPK (million)	10,103	10,103	7,769	7,769	30.0	30.0
ASK (million)	13,799	13,799	10,967	10,967	25.8	25.8
Load factor - %	73.2	73.2	70.8	70.8	2.4 p.p.	2.4 p.p.
Break-even load factor (BELF) - %	72.6	72.6	67.5	67.5	5.2 p.p.	5.2 p.p.
Average tariff	256	256	240	240	6.8	6.8
Flight hours	126,326	126,326	111,872	111,872	12.9	12.9
Kilometers flown by aircraft (million)	75,447	75,447	65,628	65,628	15.0	15.0
Liters of fuel (million)	500,779	500,779	402,576	402,576	24.4	24.4
Aircraft utilization (hours per day)	12.6	12.6	13.0	13.02	-3.3	-3.3
Aircraft utilization by track (hours per day) <sup>1</sup>	13.6	13.6	13.6	13.63	-0.2	-0.2
Landings	67,540	67,540	64,337	64,337	5.0	5.0
Stage Length	1,117	1,117	1,020	1,020	9.5	9.5
Total number of employees	21,885	21,885	16,665	16,665	31.3	31.3
- TAM Linhas Aéreas	20,957	20,957	15,815	15,815	32.5	32.5
- TAM Mercosur	712	712	660	660	7.9	7.9
- TAM Fidelidade	216	216	190	190	13.7	13.7
WTI-NY end (NYMEX) (in US\$/Barrel)	105.42	105.42	60.74	60.74	73.6	73.6
End of period exchange rate	1.7491	1.7491	2.0504	2.0504	-14.7	-14.7
<b>Domestic Market</b>						
Paid passengers transported (thousand)	6,386	6,386	5,847	5,847	9.2	9.2
RPK domestic (million)	5,963	5,963	5,203	5,203	14.6	14.6
RPK scheduled domestic (million)	5,523	5,523	4,722	4,722	17.0	17.0
ASK domestic (million)	8,406	8,406	7,363	7,363	14.2 p.p.	14.2 p.p.
ASK scheduled domestic (million)	7,902	7,902	6,806	6,806	16.1	16.1
Domestic Load factor - %	70.9	70.9	70.7	70.7	0.3 p.p.	0.3 p.p.
Market Share - %	50.0	50.0	48.4	48.4	1.6 p.p.	1.6 p.p.
<b>International Market<sup>2</sup></b>						
Paid passengers transported (thousand)	1,165	1,165	818	818	42.5	42.5
RPK international (million)	4,140	4,140	2,566	2,566	61.3	61.3
RPK scheduled international (million)	4,121	4,121	2,541	2,541	62.2	62.2
ASK international (million)	5,393	5,393	3,603	3,603	49.7	49.7
ASK scheduled international (million)	5,361	5,361	3,566	3,566	50.3	50.3
International Load factor - %	76.8	76.8	71.2	71.2	5.6 p.p.	5.6 p.p.
Market Share - % <sup>3</sup>	67.7	67.7	62.9	62.9	4.8 p.p.	4.8 p.p.

<sup>1</sup> Does not include aircraft in maintenance or reserve.

<sup>2</sup> International market includes the TAM Mercosur statistics, and this data is not included in the ANAC numbers.

<sup>3</sup> Does not include TAM Mercosur figures.

## Domestic Market

The domestic market demand increased 10.6% comparing 1Q08 vs. 1Q07 while there was an increase in supply of 13.3% in the same period. As a result, the industry's load factor decreased 1.7 p.p. to 67.2% in 1Q08 compared to 68.8% in 1Q07.

## TAM Domestic Demand

In the domestic market, TAM presented an increase of 14.6% in RPKs (scheduled + charter), however, presented an increase of 17.0% in RPKs scheduled (excluding charter), when comparing 1Q08 vs. 1Q07. In order to maintain a higher number of spare aircraft in our network, we reduced the number of charter flights, decreasing in 8.5% charter RPKs. Our domestic market share was 50.0% in 1Q08.

**TAM Domestic Supply**

Our domestic supply (measured in ASKs) increased 14.2% in 1Q08 when compared to 1Q07, due to the increase in the fleet of 16 A320 and 3 A321, compensated by 13 F100 returned and other 3 in redelivery and the reduction in block hours by aircraft from 13.0 hours/day in 1Q07 to 12.6 flown hours per aircraft per day in 1Q08 (total operation).

**International Market**

In the international market, both demand and supply increased by 51.8% and 46.5%, respectively, when comparing 1Q08 vs. 1Q07. These factors led to an increase in load factor from 66.7% to 69.1% in 1Q07 and 1Q08, respectively.

**TAM International Demand**

TAM continued to grow in the international market. Our market share increased from 62.9% in 1Q07 to 67.7% in 1Q08, generated by a RPK increase of 61.3% from 1Q07 to 1Q08 (Considering TAM LA and TAM Mercosur statistics).

**TAM International Supply**

The increase in our participation in the international market was due to a 49.7% supply increase y-o-y, due to the increase of 2 A340 and 2 A330 into our international long haul operating fleet allowing the beginning of daily flights to Frankfurt and Madrid. In South America we started daily frequencies to Caracas and Montevideo through the addition of narrow body aircraft into the network. The capacity was impacted by the reduction of a daily frequency to Santiago in 3Q07 due to our agreement with LAN.

**Table 2: Fleet**

March 31

Model	Capacity	In Operation		Redelivery		Total	
		1st quarter		1st quarter		1st quarter	
		2008	2007	2008	2007	2008	2007
MD-11	289 seats	3	3	-	-	3	3
A340	267 seats	2	0	-	-	2	-
A330	223 seats	12	10	-	-	12	10
<b>Total Wide Body</b>		17	13	-	-	17	13
A321	220 seats	3	-	-	-	3	-
A320	156 / 174 seats	71	55	-	-	71	55
A319	144 seats	15	15	-	-	15	15
F-100	108 seats	3	16	3	2	6	18
<b>Total Narrow Body</b>		92	86	3	2	95	88
<b>Total</b>		<b>109</b>	<b>99</b>	<b>3</b>	<b>2</b>	<b>112</b>	<b>101</b>

## Financial Performance

All the values shown in the tables below were originally calculated in Brazilian Reais and are stated in millions and cents of Reais. Therefore, (i) the results of the sum and division of some amounts may not correspond to the total amounts shown due to rounding-up procedures; and (ii) the result of percentage variances may be different from the amounts shown in the tables below.

### Revenues

**Table 3: Revenue per type of service**

	2008		2007		Variation (%)	
	1st quarter	Accum. To Mar	1st quarter	Accum. To Mar	1st quarter	Accum. To Mar
<b>Domestic revenue - Pax</b>						
Scheduled - PAX	1,275,013	1,275,013	1,038,989	1,038,989	22.7%	22.7%
Charter - PAX	45,544	45,544	53,656	53,656	-15.1%	-15.1%
<b>Total</b>	<b>1,320,558</b>	<b>1,320,558</b>	<b>1,092,645</b>	<b>1,092,645</b>	<b>20.9%</b>	<b>20.9%</b>
<b>International revenue - Pax</b>						
Scheduled - PAX	610,902	610,902	502,627	502,627	21.5%	21.5%
Charter - PAX	2,405	2,405	3,346	3,346	-28.1%	-28.1%
<b>Total</b>	<b>613,307</b>	<b>613,307</b>	<b>505,973</b>	<b>505,973</b>	<b>21.2%</b>	<b>21.2%</b>
<b>Cargo revenue</b>						
Domestic cargo	94,038	94,038	81,917	81,917	14.8%	14.8%
International cargo	120,399	120,399	74,764	74,764	61.0%	61.0%
<b>Total</b>	<b>214,437</b>	<b>214,437</b>	<b>156,681</b>	<b>156,681</b>	<b>36.9%</b>	<b>36.9%</b>
<b>Other operating revenue</b>						
Loyalty program	90,061	90,061	69,654	69,654	29.3%	29.3%
Expired tickets and other	96,511	96,511	84,166	84,166	14.7%	14.7%
Agency of trip and tourism	12,039	12,039	4,203	4,203	186.4%	186.4%
<b>Total</b>	<b>198,611</b>	<b>198,611</b>	<b>158,023</b>	<b>158,023</b>	<b>25.7%</b>	<b>25.7%</b>
<b>Gross Revenue</b>	<b>2,346,912</b>	<b>2,346,912</b>	<b>1,913,322</b>	<b>1,913,322</b>	<b>22.7%</b>	<b>22.7%</b>

**Table 4: Total RASK and Yield Total, Scheduled Domestic and International**

	2008		2007		Variation (%)	
	1st quarter	Accum. To Mar	1st quarter	Accum. To Mar	1st quarter	Accum. To Mar
RASK (cents) <sup>(1) (2)</sup>	16.38	16.38	16.72	16.72	-2.1	-2.1
Load Factor - %	73.2	73.2	70.8	70.8	2.4 p.p.	2.4 p.p.
Yield (cents of reais) <sup>(1) (3)</sup>	23.23	23.23	24.63	24.63	-5.7	-5.7
RASK scheduled domestic (cents)	15.37	15.37	14.54	14.54	5.7	5.7
Domestic Load factor - %	69.9	69.9	69.4	69.4	0.5 p.p.	0.5 p.p.
Yield Scheduled Domestic (cents of reais)	23.09	23.09	22.00	22.00	5.0	5.0
RASK scheduled Internacional (cents)	11.39	11.39	14.07	14.07	-19.0	-19.0
International Load factor - %	76.9	76.9	71.3	71.3	5.6 p.p.	5.6 p.p.
Yield Scheduled International (cents of reais)	14.82	14.82	19.78	19.78	-25.1	-25.1
Yield Scheduled International (cents of USD)	8.47	8.47	9.65	9.65	-12.2	-12.2

(1) Includes Revenue PAX, Cargo and others

(2) Net of taxes

(3) Gross of taxes



<b>Gross operating revenue</b>	Our gross operating revenue increased 22.7% to R\$ 2,346.9 million in 1Q08 compared to R\$ 1,913.3 million in 1Q07. The total Yield decreased 5.7% to R\$ 23.23 cents in the 1Q08 compared to R\$ 24.63 cents in 1Q07, mainly due to the appreciation of the Real vs. Dollar of 14.7% - causing a reduction in the international revenues converted to Reais and the reduction in the average tariff even more diluted by the increased of 9.5% in the average stage length. Our total demand (RPK) increased 30.0% and our supply (ASK) increased 25.8% resulting in an increase of 2.4 p.p. in the average load factor to 73.2% in 1Q08. Total RASK (taxes net) decreased 2.1% to R\$ 16.38 cents, compared to 16.72 Real cents in 1Q07.
<b>Gross domestic passenger revenues</b>	Gross domestic passenger revenue (including scheduled and charter passengers) increased 20.9% to R\$ 1,320.6 million in 1Q08, compared with R\$ 1,092.6 million in 1Q07. Domestic scheduled yield increased 5.0% from R\$ 22.00 cents in 1Q07 to R\$ 23.09 cents in 1Q08, domestic demand (in RPK terms) increased 14.6% while the increase in the domestic supply (in ASK terms) was 14.2%, an increase in the domestic load factor of 0.3 p.p., resulting in a 5.7% increase in the RASK scheduled domestic reaching R\$ 15.37 cents in 1Q08 compared to R\$ 14.54 cents in 1Q07.
<b>Gross international passenger revenue</b>	Gross international passenger revenue (including scheduled and charter passengers) increased 21.2% to R\$ 613.3 million in 1Q08, compared with R\$ 506 million in 1Q07. The yield scheduled international decreased 25.1% to R\$ 14.82 cents in 1Q08 from R\$ 19.78 cents in 1Q07. In dollar terms, yield scheduled international decreased 12.2% to US\$ 8.47 cents in 1Q08 from US\$ 9.65 cents in 1Q07. The decrease in the yield scheduled international was mainly due to the appreciation of the Real vs. Dollar of 14.7% and beginning of daily flights in the end of 2007 to Caracas, Montevideo, Frankfurt, and Madrid (that usually are launched with promotional fares) and also by the increase in the average stage length. Our international demand increased 61.3% and the international supply increased 49.7% resulting in a load factor increase of 5.6 p.p. reaching 76.8% from 71.2% in 1Q07. In consequence of the decrease in yield scheduled international partially compensated by the increase in load factor, the RASK scheduled international decreased 19.0% from R\$ 14.07 cents in 1Q07 to R\$ 11.39 cents in 1Q08.
<b>Gross cargo revenue</b>	Gross cargo revenue (domestic and international) increased 36.9% to R\$ 214.4 million in 1Q08 compared with R\$ 156.7 million in 1Q07 due to the increase in our international capacity and the substitution of the F-100s by A320 family aircraft in the domestic market, resulting in more cargo space available.
<b>Other gross revenue</b>	Other gross revenue increased 25.7% to R\$ 198.6 million in 1Q08, compared with R\$ 158 million in 1Q07, primarily due to the increase on Loyalty program revenues from R\$ 69.7 million in 1Q07 to R\$ 90.1 million in 1Q08.
<b>Sales deductions and taxes</b>	Sales deductions and taxes increased 9.3% to R\$ 86.7 million in 1Q08, compared with R\$ 79.3 million in 1Q07, due to the increase in the domestic flights revenues in 20.9%, which is the taxes and deductions basis of calculation.
<b>Net operating revenue</b>	Our net operating revenue increased 23.2% to R\$ 2,260.3 million in 1Q08, compared with R\$ 1,834.0 million in 1Q07.

# Costs and Expenses

**Table 5: Costs and Expenses – Quarter**

1st quarter

BR GAAP	In cents of R\$ per ASK			In millions of R\$		
	2008	2007	Variation (%)	2008	2007	Variation (%)
<b>Operational Income</b>	<b>17.01</b>	<b>17.45</b>	<b>-2.5</b>	<b>2,346.9</b>	<b>1,913.3</b>	<b>22.7</b>
Flight revenue	15.57	16.01	-2.7	2,148.3	1,755.3	22.4
Domestic	9.57	9.96	-4.0	1,320.6	1,092.6	20.9
International	4.44	4.61	-3.7	613.3	506.0	21.2
Cargo	1.55	1.43	8.8	214.4	156.7	36.9
Other operating sales and/or services revenues	1.44	1.44	-0.1	198.6	158.0	25.7
Sales deductions and taxes	(0.63)	(0.72)	-13.2	(86.7)	(79.3)	9.3
<b>Net operational income</b>	<b>16.38</b>	<b>16.72</b>	<b>-2.1</b>	<b>2,260.3</b>	<b>1,834.0</b>	<b>23.2</b>
<b>Cost of services and operational expenses</b>						
Fuel	(6.12)	(5.20)	17.7	(844.8)	(570.2)	48.1
Selling and marketing expenses	(1.75)	(1.71)	2.6	(241.7)	(187.3)	29.1
Aircraft and equipment leasing	(1.61)	(2.05)	-21.5	(222.5)	(225.2)	-1.2
Personnel	(2.92)	(2.44)	19.5	(402.7)	(267.7)	50.4
Maintenance and review s (except personnel)	(0.69)	(0.96)	-27.8	(95.3)	(104.9)	-9.1
Outsourced services	(1.01)	(1.26)	-19.6	(139.5)	(137.9)	1.2
Landing and take-off and navigation charges	(0.89)	(0.91)	-1.3	(123.3)	(99.3)	24.2
Depreciation and amortization	(0.23)	(0.25)	-7.4	(31.5)	(27.0)	16.5
Aircraft insurance	(0.09)	(0.08)	20.1	(12.9)	(8.5)	51.1
Others	(0.93)	(1.07)	-13.3	(128.5)	(117.8)	9.1
<b>Total cost of services and operational expenses</b>	<b>(16.25)</b>	<b>(15.92)</b>	<b>2.1</b>	<b>(2,242.7)</b>	<b>(1,745.8)</b>	<b>28.5</b>
<b>Gross profit</b>	<b>0.13</b>	<b>0.80</b>	<b>-84.2</b>	<b>17.6</b>	<b>88.2</b>	<b>-80.1</b>
Financial income (expense)	(0.06)	0.02	-386.5	(8.7)	2.4	-460.5
Other operating expenses. Net	(0.00)	(0.07)	-95.6	(0.4)	(7.3)	-94.5
<b>Operating income (loss)</b>	<b>0.06</b>	<b>0.76</b>	<b>-91.9</b>	<b>8.5</b>	<b>83.4</b>	<b>-89.8</b>
Non-operating results, net	0.09	0.05	71.3	12.2	5.7	115.5
<b>Income (loss) before income and social contribution taxes</b>	<b>0.15</b>	<b>0.81</b>	<b>-81.5</b>	<b>20.7</b>	<b>89.0</b>	<b>-76.8</b>
Income tax and social contribution	(0.13)	(0.27)	-51.6	(18.0)	(29.6)	-39.1
<b>Income (loss) before minority interest</b>	<b>0.02</b>	<b>0.54</b>	<b>-96.5</b>	<b>2.7</b>	<b>59.4</b>	<b>-95.5</b>
Minority interest	(0.00)	(0.00)	N/A	(0.1)	(0.3)	-58.7
<b>Net income (loss) for the period</b>	<b>0.02</b>	<b>0.54</b>	<b>-96.6</b>	<b>2.6</b>	<b>59.2</b>	<b>-95.7</b>
EPS (R\$)				0.02	0.39	-95.7
				0.01	0.19	-95.0

**Cost of services and operational expenses and CASK**

Our cost of services and operating expenses increased by 28.5% to R\$ 2,242.7 million in 1Q08, compared to R\$ 1,745.8 in 1Q07. The increase in cost of services and operating expenses is mainly due to the increase in fuel, selling and marketing expenses, personnel, landing, take-off and navigational charges and aircraft insurance. The cost of services and operational expenses by ASK (CASK) increased 2.1% from 15.92 Real cents in 1Q07, to 16.25 Real cents in 1Q08, mainly due to the increase in fuel, personnel and aircraft insurance, partially offset by reduction in the outsourced services costs, aircraft and equipment leasing, maintenance and repairs and also to the appreciation of the Real exchange rate of 14.7%. The CASK excluding the fuel costs decreased 5.5% in 1Q08 compared to 1Q07.

**Fuel**

Fuel costs increased 48.1% to R\$ 844.8 million in 1Q08, compared with R\$ 570.2 million in 1Q07 due to the 24.4% increase in litres consumed and due to the average cost per litre increase of 19.1% partially offset by a higher participation in fuel supplying in the international market, the increased of 9.5% in the average stage length and the economy of tankering program. Fuel costs by ASK increased 17.7%.

**Sales and Marketing**

Sales and marketing expenses increased 29.1% to R\$ 241.7 million in 1Q08, compared to R\$ 187.3 million in 1Q07. Sales and marketing expenses represented 10.7% of total net revenues in 1Q08 against 10.2% in 1Q07, an increase of 0.5 p.p.. The main reason was the increase in the international sales (passenger and cargo) which has higher commercial costs, offset by the end of domestic commission costs paid to travel agents, according to agreement signed with ABAV (Brazilian Association of Travel Agents), since mid January. Sales and marketing expenses per ASK increased 2.6%.

**Aircraft and equipment leasing**

Aircraft and equipment leasing costs decreased by 1.2% to R\$ 222.5 million in 1Q08, compared to R\$ 225.2 million in 1Q07, mostly due to the 14.7% appreciation of the Real against the US dollar and better leasing fees related to the Company's better financial position and by the return of 12 Fokker 100 partially compensated by the increase of 16 aircraft A320, 3 A321, 2 A330 and 2 A340. Aircraft and equipment leasing costs by ASK decreased 21.5%.

**Personnel costs**

Personnel costs increased by 50.4% to R\$ 402.7 million in 1Q08, compared to R\$ 267.7 million in 1Q07, principally due to the 31.3% increase in headcount from 16,665 to 21,885 in 1Q08 vs. 1Q07, respectively, due to the incorporation of the national stations in the end of 1Q07, in addition to the technical crew (pilots and co-pilots) compensation alignment. Personnel costs per ASK increased 19.5%.

**Maintenance and repairs (except personnel)**

Maintenance and repairs (except personnel) costs decreased 9.1% to R\$ 95.3 million in 1Q08, compared to R\$ 104.9 million in 1Q07, mainly due to the change in our fleet mix (reduction of F100, the older aircraft in our fleet) and the appreciation of the Real against the US dollar of 14.7%, compensated by the increase in our total flown hours in 12.9% and the increase in our fleet. Costs with maintenance and repairs (except personnel) by ASK decreased 27.8%.

**Outsourced services**

Outsourced services increased by 1.2% to R\$ 139.5 million in 1Q08, compared to R\$ 137.9 million in 1Q07. Outsourced services by ASK decreased 19.6% due to the incorporation of the national stations in the end of 1Q07 and the appreciation of the Real against the US dollar of 14.7% reducing the costs with international stations and the international distribution.

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

Landing, take-off and navigation charges increased 24.2% to R\$ 123.3 million in 1Q08, compared to R\$ 99.3 million in 1Q07, due to the increase of 5.0% in take-offs and 15.0% in flown kilometres and the increase in international flights, which costs are higher than domestic ones, offset by the appreciation of the Real of 14.7%. Landing, take-off and navigation charges by ASK decreased 1.3%.

**Depreciation and amortization**

Depreciation and amortization costs increased 16.5% to R\$ 31.5 million in 1Q08, compared with R\$ 27.0 million in 1Q07, mainly due to the new additions of R\$ 95 million in the fixed assets of the Company, due to the increase of flight equipments, computers and peripherals related to our growth during the period from 1Q07 to 1Q08. The depreciation and amortization expense by ASK decreased 7.4%.

<b>Aircraft insurance</b>	Aircraft insurance increased 51.1% to R\$ 12.9 million in 1Q08 compared to R\$ 8.5 million in 1Q07, mainly due to the increase in the number of passengers transported in 13.3% in 1Q08 vs. 1Q07 and by the net increase of 14 aircraft into our fleet compared to 1Q07, partially offset by the appreciation of the Real against the US dollar of 14.7%. The costs of aircraft insurance by ASK increased 20.1%.
<b>Others</b>	Other expenses increased by 9.1% to R\$ 128.5 million in 1Q08 compared with R\$ 117.8 million in 1Q07, mainly due to increase in our operations of 25.8%, increase in general and administrative expenses, and operating costs in international bases. Other operational expenses by ASK decreased 13.3%.
<b>Net financial result</b>	Our net financial result reached negative result of R\$ 8.7 million in 1Q08, compared with a positive result of R\$ 2.4 million in 1Q07, mainly due to less earnings with FX variation partially offset by income with financial applications and gains with fuel hedge.
<b>Net non-operating results</b>	Net non-operating results reached a positive result of R\$ 12.2 million in 1Q08, compared with a positive result of R\$ 5.7 million in 1Q07.
<b>Income tax and social contribution</b>	Income tax and social contribution had an expenses of R\$ 18 million in 1Q08, compared to expenses of R\$ 29.6 million in 1Q07, due to provisions occurred during the year.
<b>Net Income</b>	Our net income reached R\$ 2.6 million in 1Q08, compared with net income of R\$ 59.2 million in 1Q07, as a result of the matters above discussed representing a reduction of 3.1 p.p. in margin, from a positive margin of 3.2% in 1Q07 to a positive margin of 0.1 in 1Q08.

## EBITDAR, EBITDA, EBIT and Net Income

**Table 7: EBITDAR, EBITDA e EBIT calculation**

BR GAAP (In millions of R\$)	2008		2007		Variation%	
	1st quarter	Accum. To Dec.	1st quarter	Accum. To Dec.	1st quarter	Accum. To Dec.
Net income before minority interest	2,655	2,655	59,433	59,433	-96%	-96%
Income tax and social contribution	18,045	18,045	29,611	29,611	-39%	-39%
Financial result, net	8,689	8,689	-2,411	-2,411	-460%	-460%
Non-operating result, net	(12,221)	(12,221)	(5,670)	(5,670)	116%	116%
Other operating expenses, net	399	399	7,096	7,096	-94%	-94%
<b>EBIT</b>	<b>17,567</b>	<b>17,567</b>	<b>88,059</b>	<b>88,059</b>	<b>-80%</b>	<b>-80%</b>
Depreciation and amortization	31,457	31,457	27,007	27,007	16%	16%
Goodwill amortization in subsidiary	0	0	179	179	-100%	-100%
<b>EBITDA</b>	<b>49,024</b>	<b>49,024</b>	<b>115,246</b>	<b>115,246</b>	<b>-57%</b>	<b>-57%</b>
Rental - Leasing	222,485	222,485	225,153	225,153	-1%	-1%
<b>EBITDAR</b>	<b>271,508</b>	<b>271,508</b>	<b>340,399</b>	<b>340,399</b>	<b>-20%</b>	<b>-20%</b>
Net revenue	2,260,256	2,260,256	1,834,012	1,834,012	23%	23%
<b>Margins:</b>						
<b>EBIT</b>	<b>0.8</b>	<b>0.8</b>	<b>4.8</b>	<b>4.8</b>	<b>-4.0 p.p.</b>	<b>-4.0 p.p.</b>
<b>EBITDA</b>	<b>2.2</b>	<b>2.2</b>	<b>6.3</b>	<b>6.3</b>	<b>-4.1 p.p.</b>	<b>-4.1 p.p.</b>
<b>EBITDAR</b>	<b>12.0</b>	<b>12.0</b>	<b>18.6</b>	<b>18.6</b>	<b>-6.5 p.p.</b>	<b>-6.5 p.p.</b>

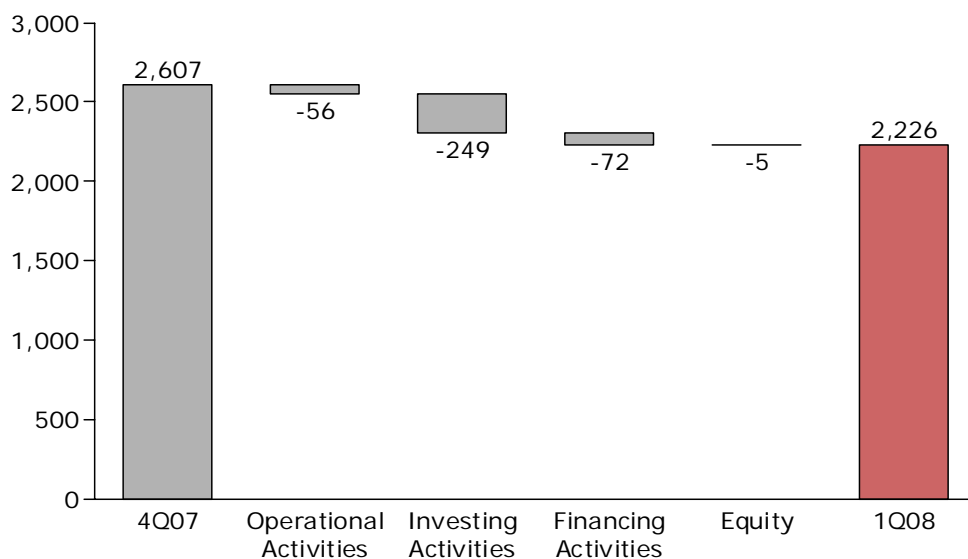
**EBIT** EBIT margin was 0.8%, reaching R\$ 17.6 million in 1Q08, compared to R\$ 88.1 million in 1Q07, representing a decreased in the margin of 4 p.p.. The EBIT reduction was a consequence of the increased 2.1% in CASK and of the 2.1% RASK reduction.

**EBITDAR** EBITDAR margin was 12.0%, reaching R\$ 271.5 million in 1Q08, compared to R\$ 340.4 million in 1Q07, representing a decrease in the EBITDAR margin of 6.5 p.p. in 1Q08 given the facts above mentioned.

# Cash Flow

**Graph 4: Cash flow**

Cash Flow  
(in R\$ million)



**Cash flow from operating activities**

Operational activities used R\$ 55.8 million in 1Q08 compared to a generation of R\$ 156.1 in 4Q07.

**Cash flow used in investing activities**

Cash used in investing activities in 1Q08 represented R\$ 248.6 million, related to the payment of PDPs (pre-delivery payments).

**Cash flow from financing activities**

Cash used from financing activities in 1Q08 was R\$ 71.5 million, mainly due to short term loans liquidation, to working capital, as Compor.

**Capital Expenditures**

Is part of our strategy to maintain operational leases to increase our fleet, no significant investment is expected in the future.

**Table 8: Cash Flow - Quarter**

<b>BR GAAP (In millions of R\$)</b>	<b>1Q08</b>	<b>4Q07</b>
<b>Net Income (Loss)</b>	<b>2,551</b>	<b>49,831</b>
Net Income (Loss) Reconciliation Adjustments		
(+) Depreciation and Amortization	17,620	20,130
<b>Cash Earnings</b>	<b>20,171</b>	<b>69,961</b>
<b>OPERATING CASH FLOW</b>		
Change in Working Capital		
(Increase)/Decrease in Accounts Receivables	(85,768)	69,216
(Increase)/Decrease in Inventories	(10,540)	(41,014)
Increase/(Decrease) in Suppliers Payables	(44,219)	58,542
<b>Total (Increase)/Decrease in Working Capital</b>	<b>(140,527)</b>	<b>86,744</b>
(Increase)/Decrease in Other Accounts Receivables	100,885	106,942
Increase/(Decrease) in Transportations to be executed	(67,738)	(32,256)
Increase/(Decrease) in Other Accounts Payables	31,457	(75,335)
<b>Total (Increase)/Decrease in Others</b>	<b>64,605</b>	<b>(649)</b>
<b>(=) Net cash provided by operating activities</b>	<b>(55,751)</b>	<b>156,055</b>
<b>INVESTMENT CASH FLOW</b>		
(Increase)/Decrease Deposits in guarantee and advances to aircraft manufacturers	(160,925)	(158,163)
(Increase)/Decrease Others Long term	1,673	(11,694)
(Increase)/Decrease Other Investments	(5,587)	(13,027)
(Increase)/Decrease Property Plan and equipment	(83,762)	30,705
<b>(=) Cash flow from investing activities</b>	<b>(248,601)</b>	<b>(152,179)</b>
<b>FINANCING ACTIVITIES</b>		
Increase/(Decrease) Financial Leases Short Term	5,288	4,117
Increase/(Decrease) Loans and Financing Short Term	(132,797)	206,108
Increase/(Decrease) Loans and Financing Long Term	39,232	(85,718)
Increase/(Decrease) Financial Leases Long Term	(8,673)	(9,831)
Increase/(Decrease) Debentures and Bonds	(19,824)	(24,520)
Increase/(Decrease) Reorganization of the Fokker 100 Fleet	(3,968)	(1,528)
Increase/(Decrease) Others	49,231	43,691
Increase/(Decrease) Deferred Income	(0)	(0)
<b>(=) Cash flow from financing activities</b>	<b>(71,511)</b>	<b>132,318</b>
<b>EQUITY</b>		
Dividends	104	71,959
Increase/(Decrease) Legal and Revaluation Reserve	(4,776)	(72,388)
<b>CASH FLOW IN THE PERIOD</b>	<b>(380,536)</b>	<b>135,766</b>
Cash and cash equivalents at the end of the period	2,226,341	2,606,877
Cash and cash equivalents at the beginning of the period	2,606,877	2,471,111
<b>Change</b>	<b>(380,536)</b>	<b>135,766</b>

**Table 9: Cash Flow – Year**

<b>BR GAAP (In millions of R\$)</b>	<b>1Q08</b>	<b>1Q07</b>
<b>Net Income (Loss)</b>	<b>2,551</b>	<b>59,180</b>
Net Income (Loss) Reconciliation Adjustments		
(+) Depreciation and Amortization	17,620	18,587
<b>Cash Earnings</b>	<b>20,171</b>	<b>77,767</b>
<b>OPERATING CASH FLOW</b>		
Change in Working Capital		
(Increase)/Decrease in Accounts Receivables	(85,768)	(157,690)
(Increase)/Decrease in Inventories	(10,540)	(10,133)
Increase/(Decrease) in Suppliers Payables	(44,219)	61,246
<b>Total (Increase)/Decrease in Working Capital</b>	<b>(140,527)</b>	<b>(106,577)</b>
(Increase)/Decrease in Other Accounts Receivables	100,885	(11,747)
Increase/(Decrease) in Transportations to be executed	(67,738)	11,529
Increase/(Decrease) in Other Accounts Payables	31,457	(17,633)
<b>Total (Increase)/Decrease in Others</b>	<b>64,605</b>	<b>(17,851)</b>
<b>(=) Net cash provided by operating activities</b>	<b>(55,751)</b>	<b>(46,661)</b>
<b>INVESTMENT CASH FLOW</b>		
(Increase)/Decrease Deposits in guarantee and advances to aircraft manufacturers	(160,925)	(242,735)
(Increase)/Decrease Others Long term	1,673	(4,350)
(Increase)/Decrease Other Investments	(5,587)	179
(Increase)/Decrease Property Plan and equipment	(83,762)	(21,318)
<b>(=) Cash flow from investing activities</b>	<b>(248,601)</b>	<b>(268,224)</b>
<b>FINANCING ACTIVITIES</b>		
Increase/(Decrease) Financial Leases Short Term	5,288	210
Increase/(Decrease) Loans and Financing Short Term	(132,797)	46,190
Increase/(Decrease) Loans and Financing Long Term	39,232	(13,382)
Increase/(Decrease) Financial Leases Long Term	(8,673)	(11,047)
Increase/(Decrease) Debentures and Bonds	(19,824)	(27,762)
Increase/(Decrease) Reorganization of the Fokker 100 Fleet	(3,968)	(5,707)
Increase/(Decrease) Others	49,231	36,056
<b>(=) Cash flow from financing activities</b>	<b>(71,511)</b>	<b>24,558</b>
<b>EQUITY</b>		
Dividends	104	(136,851)
Increase/(Decrease) Legal and Revaluation Reserve	(4,776)	1
<b>CASH FLOW IN THE PERIOD</b>	<b>(380,536)</b>	<b>(427,178)</b>
Cash and cash equivalents at the end of the period	2,226,341	2,025,800
Cash and cash equivalents at the beginning of the period	2,606,877	2,452,978
<b>Change</b>	<b>(380,536)</b>	<b>(427,178)</b>



**Table 10: Balance Sheet**

BR GAAP (in thousands of R\$)

	<u>31.03.2008</u>	<u>31.12.2007</u>
<b>Total Assets</b>	<b>6,388,829</b>	<b>6,542,961</b>
<b>Current Assets</b>	<b>4,703,463</b>	<b>5,029,641</b>
Cash	117,070	134,873
Cash equivalents (short-term investments)	2,109,271	2,472,004
Accounts receivable	1,023,696	937,928
Inventories	173,011	162,471
Taxes recoverable	70,932	87,017
Prepaid expenses	93,624	151,372
Advances to aircraft manufacturers	923,374	864,440
Other accounts receivable	121,695	137,071
Deferred income tax and social contribution	39,596	37,950
Aircraft insurance and other	31,194	44,515
<b>Long-Term Assets</b>	<b>810,527</b>	<b>710,209</b>
Deposits in guarantee	120,666	161,488
Judicial Deposits	75,478	75,017
Deferred income tax and social contribution	189,524	195,415
Other accounts receivable	57,298	53,541
Advances to aircraft manufacturers	167,693	105,115
Advances for aircraft maintenance	199,868	119,633
<b>Permanent Assets</b>	<b>874,839</b>	<b>803,111</b>
Investments	70	70
Plant, Property and Equipment	856,026	789,885
Deferred assets	18,743	13,156
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>6,388,829</b>	<b>6,542,961</b>
<b>Current Liability</b>	<b>2,562,826</b>	<b>2,751,980</b>
Loans and Financing	748,351	881,148
Leases	78,205	72,917
Debentures	9,409	32,159
Suppliers	382,636	426,856
Provision for Income Tax and Social Contribution	9,909	20,079
Payroll and Social Contributions	272,079	236,708
Advance ticket sales	723,808	791,546
Taxes and Charges	101,350	59,051
Other accounts payable	114,514	119,709
Bonds	16,662	7,076
Dividends payable	72,616	72,616
Reorganization of the Fokker 100 Fleet	12,165	11,501
Loyalty Program	21,122	20,614
<b>Long-term liabilities</b>	<b>2,322,739</b>	<b>2,285,596</b>
Loans and Financing	258,422	219,189
Leases	44,523	53,196
Reorganization of the Fokker 100 Fleet	37,555	41,523
Provisions for Contingencies	864,888	844,713
Debentures	500,000	500,000
Bonds	524,730	531,390
Deferred income tax and social contribution	50,514	50,861
Other accounts payable	42,107	44,724
<b>Deferred income</b>	<b>11,099</b>	<b>11,099</b>
<b>Minority Interest</b>	<b>2,733</b>	<b>2,629</b>
<b>Shareholders' Equity</b>	<b>1,489,432</b>	<b>1,491,657</b>
Capital	675,497	675,497
Capital Reserve	102,855	102,855
Treasury Stocks	-4,776	0
Revaluation Reserve	134,447	135,134
Profit Retention	581,409	578,171

## Indebtedness

**Table 11: Breakdown and Maturity of financial debt**

Year	Loans	Lease payable	Reorganization of Fokker 100 fleet	Debentures	Bonds	R\$ thousand	
						Total	% Total
						<b>03.31.2008</b>	
2008	748,351	78,205	12,165	9,409	16,662	864,792	39%
2009	99,134	17,947	10,341	-	-	127,422	6%
2010	58,788	5,981	15,627	166,667	-	247,063	11%
2011	65,499	5,430	11,587	166,667	-	249,183	11%
2012	26,958	4,886	0	166,667	-	198,511	9%
After 2012	8,043	10,279	0	-	524,730	543,052	24%
	<u>1,006,773</u>	<u>122,728</u>	<u>49,720</u>	<u>509,409</u>	<u>541,392</u>	<u>2,230,022</u>	<u>100%</u>
Foreign currency - denominated	897,774	122,728	49,720	0	541,392	1,611,614	72%
Local currency - denominated	108,999	0	0	509,409	0	618,408	28%

On May 21, 2007, TAM entered into a loan agreement with Calyon Bank and other banks to finance up to US\$ 330.9 million at pre-delivery payment operations (pre-delivery payment – PDP) made to Boeing for the delivery of 4 777 – 300 ERS with firm purchase orders and delivery scheduled for 2008. At March 31, 2008, the balance of this loan is R\$ 578,8.

**Table 12: Breakdown and maturity of operational leases**

Foreign currency	Financial interest and (weighted average)	In thousands of US dollars	
		03.31.2008	12.03.2007
Airbus A319	1-Month Libor + 1.3% to 1.9% p.a. (4.4% p.a.)	133,450	145,298
	3-Month Libor + 1.6% p.a. (5.5% p.a.)	10,064	12,403
	6-Month Libor + 1.5% p.a. (6.1% p.a.)	147,424	151,497
Airbus A320	Fixed interest to 4.00% p.a.	159,101	170,237
	1-Month Libor + 1.3% to 1.9% p.a. (4.8% p.a.)	379,030	396,923
	3-Month Libor + 0.03% to 2.8% p.a. (5.7% p.a.)	724,701	763,328
	6-Month Libor + 0.7% to 2.3% p.a. (5.1% p.a.)	424,338	426,332
Airbus A321	3-Month Libor + 0.03% to 1.7% p.a. (5.9% p.a.)	155,722	159,499
Airbus A330	Fixed interest to 4.6% p.a. to 5.6% p.a. (5.2% p.a.)	197,935	203,816
	3-Month Libor + 0.03% to 1.7% p.a. (6.0% p.a.)	216,794	222,275
	6-Month Libor + 1.25% to 2.1% p.a. (5.8% p.a.)	400,082	425,145
Airbus A340	Fixed instalment of US\$ 850,000	141,100	145,350
Fokker 100	Fixed interest to 1.10% p.a. to 2.00% p.a. (1.5% p.a.)	1,695	1,682
	6-Month Libor (5.4% p.a.)	1,147	2,167
Boeing MD-11	Fixed instalment of US\$ 399,000	7,182	10,773
Airbus Turbines	Fixed interest to 0.9% p.a. to 1.0% p.a. (1.0% p.a.)	15,546	17,612
		<u>3,115,311</u>	<u>3,254,337</u>
		<b>In thousands of US dollars</b>	
Year		03.31.2008	12.03.2007
2007		0	0
2008		451,532	472,387
2009		319,122	429,475
2010		402,563	406,873
2011		387,736	390,464
2012		350,598	351,922
After 2012		<u>1,203,760</u>	<u>1,203,216</u>
		<u>3,115,311</u>	<u>3,254,337</u>

**Total financial debt** Total financial debt decreased from R\$ 2,350 million in 4Q07 to R\$ 2,230 million in 1Q08.

**Operating leases** Obligations from operating leases amounted US\$ 3.1 billion at the end of 1Q08, corresponding to 112 aircraft (6 Fokker 100, 15 Airbus A319, 71 Airbus A320, 3 Airbus A321, 12 Airbus A330, 2 A340, 3 MD11 and Airbus turbines). Contracts mature up to 110 months and are restated based on the variation of the US dollar plus LIBOR.

## Business Units

### Loyalty Program

TAM was the first airline to offer a loyalty program in Brazil and we believe it represents a key element in our marketing strategy. There are currently over 4.7 million members in the program (which we refer to as the TAM Loyalty Program) and has issued 5.5 million tickets earned with frequent flyer points. We regard our loyalty program as a strong relationship tool and believe that it is the most flexible loyalty program in the market because it imposes no restrictions on flights or on the number of seats available when members are redeeming accumulated points. Members may accumulate points quickly and easily by flying on TAM or partner airlines, making purchases through TAM Loyalty Program-affiliated credit cards or using services and products at partner establishments. In addition, the TAM Loyalty Program strengthens lines of communications with our passengers. According to the points accumulated, the member is assigned a card category – white, blue or red. Each category receives points in a different way. Blue and red cards receive more points and extra benefits, which guarantees the redemption of tickets faster.

The points earned by our customers on the Loyalty program are valid for two years for conversion into tickets and historically 34% expire without redemption. This limits the growth of the program's future cost – there is a tendency of stability as to the quantity of passengers transported by the program.

In the 1Q06, the accounting criteria to recognize the costs referring to the Loyalty Program changed. A provision for future obligations was calculated taking into consideration:

- The quantity of points earned, converted into free flights;
- The quantity of points which expired without being converted into flights;
- The quantity of free flights flown with other airlines; and
- Based on the present average occupation levels of our flights, the incremental cost involved, i.e. the additional cost per passenger transported, represented by fuel, in-flight service, insurance and boarding card.

	03.31.2008	03.31.2007
Total Free domestic flights earned but not redeemed	2,575,652	2,400,632
Number of free flights redeemed	346,774	207,350
Revenues from the Loyalty Program (R\$ M)	90,061	69,654
Total Provision (R\$ M)	21,122	20,614

In 2007 we signed several code-share agreements, that permit the connection of the TAM Loyalty Program to the following companies programs: Victoria, from TAP; LAN Pass, from LAN; Miles&More, from Lufthansa and Milage Plus, from United Airlines.

### Maintenance Center in São Carlos

TAM's Technological Center – based in a 4.6 million square meters area – is certified to do the maintenance in all TAM's fleet (except engines) and more than 2 thousand aircraft components. It has been a very efficient instrument on the Company's costs reduction program and now, incrementing the sales of services to thirds, is optimizing the Center utilization, diluting fixed costs.

In total respect with environment and fauna and flora preservation policy, TAM has 3 residuals treatment stations.

## Stock Market

**Table 13: Actual Shareholders**

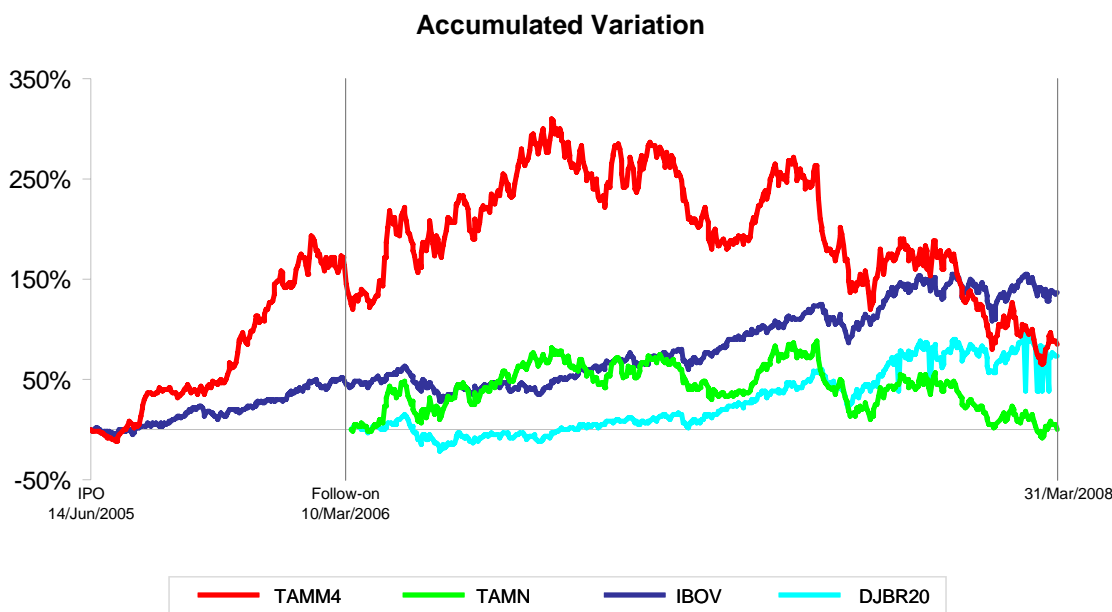
Shareholders	Ordinary Shares	(%)	Preferential Shares	(%)	TOTAL	(%)
<b>Controlling Shareholders</b>	<b>50,641,897</b>	<b>84.70%</b>	<b>18,860,612</b>	<b>20.77%</b>	<b>69,502,509</b>	<b>46.15%</b>
TAM – Empreendimentos e Participações S.A	50,562,381	84.56%	18,860,612	20.77%	69,422,993	46.10%
Agropecuária Nova Fronteira Ltda.	79,516	0.13%	0	0.00%	79,516	0.05%
<b>Other</b>	<b>9,150,058</b>	<b>15.30%</b>	<b>71,932,580</b>	<b>79.23%</b>	<b>81,082,638</b>	<b>53.85%</b>
Amaro Aviation Part SA	9,133,912	15.28%	1,141,068	1.26%	10,274,980	6.82%
Minority shareholders	16,146	0.03%	70,791,512	77.97%	70,807,658	47.02%
<b>Total</b>	<b>59,791,955</b>	<b>100.00%</b>	<b>90,793,192</b>	<b>100.00%</b>	<b>150,585,147</b>	<b>100.00%</b>

In March 31, 2008, TAM's market value was R\$ 5.0 billion. Our free float is 53.85% and the average daily trade of our share in Bovespa was about 1.0% of the total free float and the daily trade volume around R\$ 28 million in the 1Q08.

TAM is included in 8 indexes:

- Ibovespa (Index of the São Paulo Securities Exchange)
- IBrX-50 (Brazilian index of the 50 most liquid shares in the BOVESPA)
- IGC (Index of companies with differentiated corporate governance practices)
- IBrX (Brazilian Index)
- ITag (Index of shares with differentiated tag along practices)
- IVBX 2 (Index Valor Bovespa – 2nd tier)
- MSCI Barra (Morgan Stanley Capital International)
- DJ Brazil Titans 20 ADR Index

**Graph 5: Stock Performance**



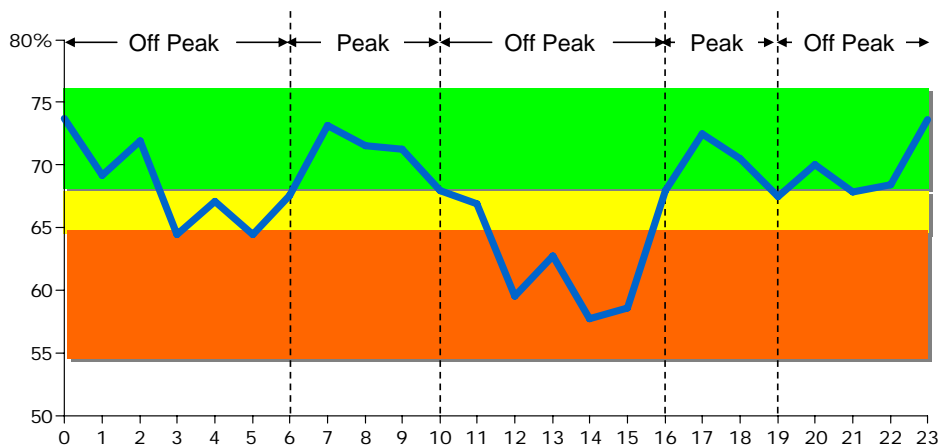
# Strategy & Estimates

## Overall Strategy

Our strategic priority is to consolidate our leadership both in the domestic and international passenger market, attaining high levels of profitability. We will seek to pursue this goal by offering an overall service that delivers superior value to passengers, by continuing to reduce costs and by increasing the return on capital invested. To reach these objectives, our strategies are:

- 1) Continue providing **superior service** to our clients.
- 2) **Increase revenue** with profitability, serving a larger number of passengers at a competitive prices:
  - a) We believe that 70% of air travel in Brazil is business-related, and this passenger tends to choose early-morning (6 A.M. to 10 A.M.) and late-afternoon (4 P.M. to 7 P.M.) flights. The period between 10 A.M. and 4 P.M. sees smaller demand and consequently experiences lower load factor rates. Through our website [www.tam.com.br](http://www.tam.com.br), passengers can access our clear pricing system, which **involves lower prices during off-peak periods**. The graphic below shows the load factor during the day:

Domestic load factor per hour



\* Daily average in October, 2007

- b) **Improvements in the international business:** during 2008 the MD11s will be replaced by the newer and larger aircraft Boeing 777ERs. We are also retrofitting our Airbus A330 to be able to offer a more complete and comfortable product to our passengers. Also we are phasing-out the F100 aircraft from TAM Mercosur, to be substituted by A320 family aircraft.
- c) **Other revenue sources for the Company are:**
  - i) **Cargo revenues:** grew 60% in 2007 compared to the previous year, mainly due to the expansion on international market and in the domestic due to the substitution of F-100 aircraft by A320 family, resulting in more cargo space available. Strong growth is also expected for 2008, since our guidance for ASKs is to increase 40% and 14% in the international and domestic markets, respectively.
  - ii) **TAM Loyalty Program:** has approximately 4.5 million clients, however, we believe the total number of frequent flyers in Brazil is nearly 10 million. Our strategy is to intensify customer loyalty, enabling us to increase revenues through our points program, which saw a 40% increase in 2007.

iii) **MRO** (Maintenance, repair and overall): we are expanding service opportunities through our Maintenance Center. Our goal is to become a large maintenance service provider to airline companies flying to South America.

3) **Reduce our operating costs**, optimizing the use of our fleet and streamlining our processes

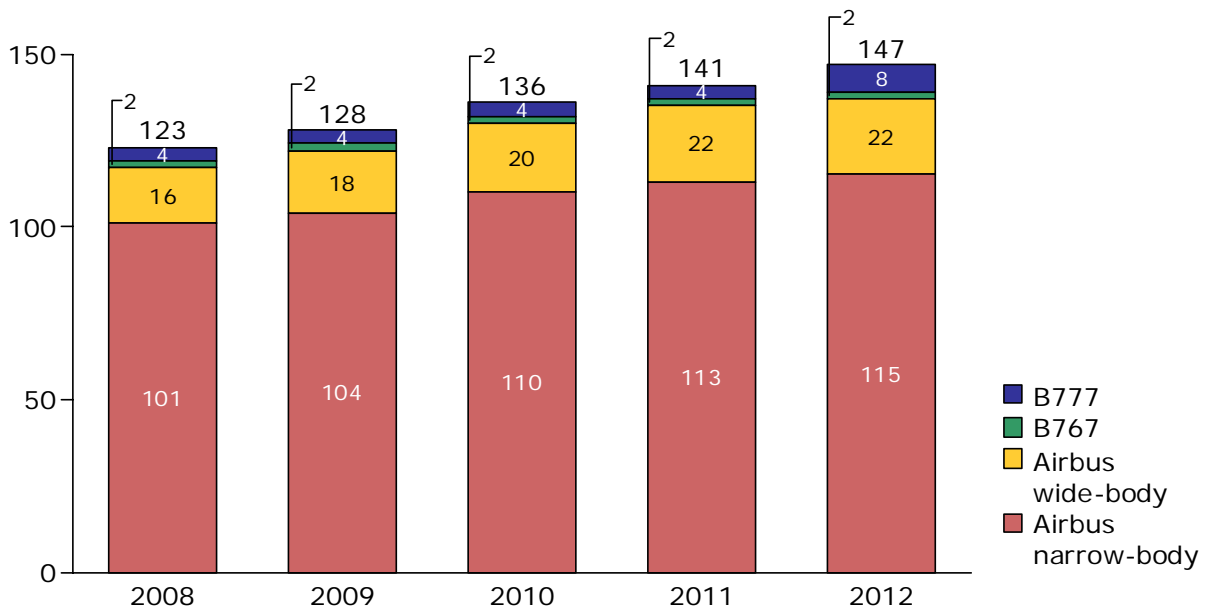
**2008 Guidance**

Our estimates for 2008 are:



Guidance 2008	Actual - 1Q08
• Domestic market demand growth from 8% to 12% (in RPK terms)	10.6%
• Maintain leadership in both domestic and international markets	50.0% Domestic 67.7% Internacional
• ASK growth of	
➔ Domestic 14%	14.2%
➔ International 40%	49.7%
• Average load factor at approximately 70% overall	73.2%
• Reduction of 7% in total CASK ex-fuel in BR GAAP yoy	-5.5%
• Three additional international destinations or frequencies in 2008	---

**Graph 6: Fleet Projection**



## Financial Reports in US GAAP

### Reports in US GAAP

For the reader's convenience, we present below certain financial information and tables prepared in accordance with accounting principles generally accepted in the United States – US GAAP. The complete financial statements complete with footnotes and a reconciliation between US and Brazilian GAAP for the Income Statement and Shareholders' Equity for the 1Q08 and 1Q07 financial years are presented separately in a report available at the CVM and our Investor Relations website – [www.tam.com.br/ir](http://www.tam.com.br/ir).

**Table 14: Income Statement**

US GAAP	1st quarter					
	In cents of R\$ per ASK			In millions of R\$		
	2008	2007	Variation (%)	2008	2007	Variation (%)
<b>Operational Income</b>	<b>16.94</b>	<b>17.40</b>	<b>-2.6</b>	<b>2,337.4</b>	<b>1,907.9</b>	<b>22.5</b>
Flight revenue	15.57	16.01	-2.7	2,148.3	1,755.3	22.4
Domestic	9.57	9.96	-4.0	1,320.6	1,092.6	20.9
International	4.44	4.61	-3.7	613.3	506.0	21.2
Cargo	1.55	1.43	8.8	214.4	156.7	36.9
Other operating sales and/or services	1.37	1.39	-1.5	189.1	152.6	23.9
Sales deductions and taxes	(0.63)	(0.72)	-13.2	(86.7)	(79.3)	9.3
<b>Net operational income</b>	<b>16.31</b>	<b>16.67</b>	<b>-2.2</b>	<b>2,250.7</b>	<b>1,828.6</b>	<b>23.1</b>
Fuel	(6.12)	(5.20)	17.7	(844.8)	(570.2)	48.1
Selling and marketing expenses	(1.75)	(1.77)	-1.0	(241.7)	(194.0)	24.6
Aircraft and equipment leasing	(0.93)	(1.17)	-20.1	(128.5)	(127.9)	0.5
Personnel	(2.88)	(2.44)	17.9	(397.7)	(268.0)	48.4
Maintenance and review s (except personnel)	(0.69)	(0.96)	-27.8	(95.3)	(104.9)	-9.1
Outsourced services	(1.12)	(1.30)	-13.9	(154.3)	(142.4)	8.3
Landing and take-off and navigation charges	(0.89)	(0.91)	-1.3	(123.3)	(99.3)	24.2
Depreciation and amortization	(0.52)	(0.52)	-0.7	(71.1)	(56.9)	24.9
Aircraft insurance	(0.09)	(0.08)	20.1	(12.9)	(8.5)	51.1
Others	(0.71)	(1.01)	-29.6	(97.8)	(110.5)	-11.5
<b>Total cost of services and operational expenses</b>	<b>(15.71)</b>	<b>(15.34)</b>	<b>2.4</b>	<b>(2,167.4)</b>	<b>(1,682.6)</b>	<b>28.8</b>
<b>Gross profit</b>	<b>0.60</b>	<b>1.33</b>	<b>-54.6</b>	<b>83.4</b>	<b>146.0</b>	<b>-42.9</b>
Financial income (expense)	0.00	0.61	-99.3	0.6	66.9	-99.1
<b>Income (loss) before income and social contribution taxes</b>	<b>0.61</b>	<b>1.94</b>	<b>-68.7</b>	<b>84.0</b>	<b>213.0</b>	<b>-60.6</b>
Income tax and social contribution	(0.27)	(0.68)	-60.6	(37.1)	(74.8)	-50.4
<b>Income (loss) before minority interest</b>	<b>0.34</b>	<b>1.26</b>	<b>-73.0</b>	<b>46.9</b>	<b>138.1</b>	<b>-66.1</b>
Minority interest	(0.00)	(0.00)	-49.5	(0.1)	(0.2)	-36.5
<b>Net income (loss) for the period</b>	<b>0.34</b>	<b>1.26</b>	<b>-73.1</b>	<b>46.7</b>	<b>137.9</b>	<b>-66.1</b>
EPS (R\$)				0.31	0.92	-66.1
EPADS (USD)				0.18	0.45	-60.3

<b>Gross operating revenue</b>	Our gross operating revenue increased 22.5% to R\$ 2,337.4 million in 1Q08, compared to R\$ 1,907.9 million in 1Q07. Our total demand (RPK) increased 30.0% and our supply (ASK) increased 25.8% resulting in an increase of 2.4 p.p. in the average load factor to 73.2% in 1Q08. The total RASK (net of taxes) decreased 2.2% to R\$ 16.31 cents in 1Q08 from R\$ 16.67 in 1Q07.
<b>Gross domestic passenger revenues</b>	Gross domestic passenger revenue (including scheduled and charter passengers) increased 20.9% to R\$ 1,320.6 million in 1Q08, compared to R\$ 1,092.6 million in 1Q07. Domestic scheduled yield increased 5.0% from R\$ 22.00 cents in 1Q07 to R\$ 23.09 cents in 1Q08, domestic demand (in RPK terms) increased 14.6% while the increase in the domestic supply (in ASK terms) was 14.2%, representing an increase in the domestic load factor of 0.3 p.p., resulting in a 5.7% increase in the RASK scheduled domestic reaching R\$ 15.37 cents in 1Q08 compared to R\$ 14.54 cents in 1Q07.
<b>Gross international passenger revenue</b>	Gross international passenger revenue (including scheduled and charter passengers) increased 21.2% to R\$ 613.3 million in 1Q08, compared with R\$ 506 million in 1Q07. The yield scheduled international decreased 25.1% to R\$ 14.82 cents in 1Q08 from R\$ 19.78 cents in 1Q07. In dollar terms, yield scheduled international decreased 12.2% to US\$ 8.47 cents in 1Q08 from US\$ 9.65 cents in 1Q07. The decrease in the yield scheduled international was mainly due to the appreciation of the Real vs. Dollar of 14.7% and beginning of daily flights in the end of 2007 to Caracas, Montevideo, Frankfurt, and Madrid (that usually are launched with promotional fares) and also by the increase in the average stage length. Our international demand increased 61.3% and the international supply increased 49.7% resulting in a load factor increased 5.6p.p. to 76.8% in 1Q08 compared to 71.2% in 1Q07. In consequence of the decrease in yield scheduled international and the increase in the load factor, the RASK scheduled international decreased 19.0% from R\$ 14.07 cents in 1Q07 to R\$ 11.39 cents in 1Q08.
<b>Gross cargo revenue</b>	Gross cargo revenue (domestic and international) increased 36.9% to R\$ 214.4 million in 1Q08, compared to R\$ 156.7 million in 1Q07 due to the increase in our international capacity and the substitution of the F-100s by A320 family aircraft in the domestic market, resulting in more cargo space available.
<b>Other gross revenue</b>	Other gross revenue increased 23.9% to R\$ 189.1 million in 1Q08, compared to R\$ 152.6 million in 1Q07, mainly due to the increase on Loyalty program revenues.
<b>Sales deductions and taxes</b>	Sales deductions and taxes increased 9.3% to R\$ 86.7 million in 1Q08, compared with R\$ 79.3 million in 1Q07, due to the increase in the domestic flights revenues in 20.9%, which is the taxes and deductions basis of calculation.
<b>Net operating revenue</b>	Our net operating revenue increased 23.1% to R\$ 2,250.7 million in 1Q08, compared with R\$ 1,828.6 million in 1Q07.



**Cost of services and operational expenses and CASK**

Our cost of services and operating expenses increased by 28.8% to R\$ 2,167.4 million in 1Q08, compared to R\$ 1,682.6 in 1Q07. The increase in fuel, selling and marketing expenses, personnel, landing, take-off and navigational charges and aircraft insurance. The cost of services and operational expenses by ASK (CASK) increased 2.4% from 15.34 Real cents in 1Q07, to 15.71 Real cents in 1Q08, mainly due to the increase in personnel, aircraft insurance and fuel costs offset by the reduction in the outsourced service costs, aircraft and equipment leasing and maintenance and repairs, mainly due to the appreciation of the Real exchange rate of 14.7%. The CASK excluding the fuel costs decreased 5.5% in 1Q08 compared to 1Q07.

**Fuel**

Fuel costs increased 48.1% to R\$ 844.8 million in 1Q08, compared with R\$ 570.2 million in 1Q07 due to the 24.4% increase in litres consumed and average cost per litre increase of 19.1%, partially offset by a higher participation of international flights, the economy of tankering program and the increased of 9.5% in the average stage length. Fuel costs by ASK increased 17.7%.

**Sales and Marketing**

Sales and marketing expenses increased by 24.6% to R\$ 241.7 million in 1Q08, compared to R\$ 194 million in 1Q07. The sales and marketing expenses represented 10.7% of total net revenues in 1Q08 against 10.6% in 1Q07, an increase of 0.1 p.p.. The main reason was the increase in the international sales (passenger and cargo) which has higher commercial costs, offset by the end of domestic commission costs paid to travel agents, according to agreement signed with ABAV (Brazilian Association of Travel Agents), since mid January. Sales and marketing expenses per ASK reduced 1.0%.

**Aircraft and equipment leasing**

Aircraft and equipment leasing costs increased by 0.5% to R\$ 128.5 million in 1Q08, compared with R\$ 127.9 million in 1Q07, mostly due to the increase of 10 aircraft A320, compensated by the reduction of 4 Fokker 100, the 14.7% appreciation of the Real against the US dollar and better leasing fees related to the Company's better financial position. Aircraft and equipment leasing costs by ASK decreased 20.1%.

**Personnel costs**

Personnel costs increased by 48.4% to R\$ 397.7 million in 1Q08, compared to R\$ 268.0 million in 1Q07, principally due to the 31.3% increase in headcount from 16,665 to 21,885 in 1Q08 vs. 1Q07, respectively, due to the incorporation of the national stations in the end of 1Q07, in addition to the technical crew (pilots and co-pilots) compensation alignment. Personnel costs per ASK increased 17.9%.

**Maintenance and repairs (except personnel)**

Maintenance and repairs (except personnel) costs decreased 9.1% to R\$ 95.3 million in 1Q08, compared to R\$ 104.9 million in 1Q07, mainly due to the change in our fleet mix (reduction of F100, the older aircraft in our fleet) and the appreciation of the Real against the US dollar of 14.7%, partially compensated by the increase in flown hours of 12.9% and by the increase in our fleet. Costs with maintenance and repairs (except personnel) by ASK decreased 27.8%.

**Outsourced services**

Outsourced services increased by 8.3% to R\$ 154.3 million in 1Q08, compared to R\$ 142.4 million in 1Q07. Outsourced services by ASK decreased 13.9%, due to the incorporation of the national stations in the end of 1Q07 and the appreciation of the Real against the US dollar of 14.7% reducing the costs with international stations and the international distribution.

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

Landing, take-off and navigation charges increased 24.2% to R\$ 123.3 million in 1Q08 compared with R\$ 99.3 million in 1Q07, due to the increase of 5.0% in take-offs and 15.0% in kilometres flown, and the increase in the international flights, which costs are higher than domestic ones, offset by the appreciation of the real in 14.7%. Landing, take-off and navigation charges by ASK decreased 1.3%.

**Depreciation and amortization**

Depreciation and amortization costs increased 24.9% to R\$ 71.1 million in 1Q08, compared with R\$ 56.9 million in 1Q07, mainly due to the increase of: 5 A320 aircraft, 3 A321, 2 A330 and 2 A340, partially offset by the reduction of 8 Fokker 100 aircraft classified under capital leases in US GAAP. The depreciation and amortization expense by ASK decreased 0.7%.

<b>Aircraft insurance</b>	Aircraft insurance increased 51.1% to R\$ 12.9 million in 1Q08 compared to R\$ 8.5 million in 1Q07, mainly due to the increase in the number of passengers transported in 13.3% in 1Q08 vs. 1Q07 and by the net increase of 14 aircraft into our fleet compared to 1Q07, partially offset by the appreciation of the Real against the US dollar of 14.7%. The costs of aircraft insurance by ASK increased 20.1%.
<b>Other operating expenses</b>	Other operating expenses decreased by 11.5% to R\$ 97.8 million in 1Q08 compared to R\$ 110.5 million in 1Q07. Other operational expenses by ASK decreased 29.6%.
<b>Net financial result</b>	Our net financial result presented an income of R\$ 0.6 million in 1Q08, compared with a positive result of R\$ 66.9 million in 1Q07, mainly due to smaller FX variation compared to the previous quarter.
<b>Income tax and social contribution</b>	Income tax and social contribution reduced 50.4% to R\$ 37.1 million in 1Q08, compared to R\$ 74.8 million in 1Q07, mainly due to provisions for contingencies and FX variation.
<b>Net Income</b>	Our net income decreased 66.1% to R\$ 46.7 million in 1Q08, compared to R\$ 137.9 million in 1Q07, as a result of the matters above discussed that represented a reduction of 5.5 p.p. in margin, from 7.5% in 1Q07 to 2.1% in 1Q08.

**Table 16: Cash Flow**  
**US GAAP (in thousands of R\$)**

	<u>03.31.2008</u>	<u>03.31.2007</u>
<b>Cash flows from operating activities</b>		
Net income	46,734	137,943
Adjustments to reconcile net income to cash provided by operating activities	71,079	56,907
Depreciation and amortization	26,525	27,648
Deferred income tax and social contribution	5,271	38,520
Provision for contingencies	8,377	5,765
Loss on disposal long lived assets	(33,273)	(107,055)
Indexation charges and exchange variations, net	126	199
Minority interest	1,840	(1,095)
Other provisions		
(Increase) decrease in assets	148,282	319,321
Short term investments	(87,771)	(159,066)
Customer accounts receivable	(10,540)	(10,598)
Inventories	16,085	(41,762)
Taxes recoverable	57,748	8,067
Prepaid expenses	(3,536)	3,514
Deferred income tax and social contribution	(461)	(3,453)
Judicial deposits	(82,028)	(23,576)
Advances for aircraft maintenance	25,169	29,665
Other receivables		
Increase (decrease) in liabilities		
Suppliers	(44,220)	61,246
Salaries and payroll charges	35,731	(46,919)
Advance ticket sales	(67,738)	11,529
Taxes and tariffs payable	42,300	7,331
Financial and operating leases	(37,509)	(42,411)
Income tax and social contribution payable	(10,170)	41,693
Other	(6,642)	(18,344)
Net cash provided by operating activities	<u>101,019</u>	<u>295,069</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(105,451)	(30,344)
Increase Intangible	(5,587)	-
Deposits in guarantee	35,921	(18,766)
Advances to aircraft manufactures		
Reimbursement	22,858	33,867
Payments	(155,646)	(259,258)
Net cash provided by (used in) investing activities	<u>(207,905)</u>	<u>(274,501)</u>
<b>Cash flows from financing activities</b>		
Capital increase	(4,776)	-
Dividends paid	-	(137,104)
Term loan and financing		
Issuance	280,182	390,027
Repayments	(334,375)	(313,423)
Finance lease		
Issuance	-	-
Repayments	(62,165)	(61,090)
Debentures:		
Issuance	-	-
Repayments	(4,234)	(6,835)
Net cash provided by financing activities	<u>(125,368)</u>	<u>(128,425)</u>
<b>Increase (decrease) in cash and banks and financial investments</b>	<u>(232,254)</u>	<u>(107,857)</u>
Cash and cash equivalents at the end of the year	234,284	191,650
Cash and cash equivalents at the beginning of the year	466,538	299,507
<b>Change in cash and cash equivalents</b>	<u>(232,254)</u>	<u>(107,857)</u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid (including R\$ 132,228, R\$ 93,107 and R\$ 133,122 of interest paid on finance lease under US GAAP for 2007, 2006 and 2005, respectively).	75,665	84,454
Non cash investing and financing activities - acquisition of aircrafts under finance lease	63,696	143,424
Income taxes paid	-	29273

**Table 17: Condensed Balance Sheet**

<b>US GAAP</b> (in thousands of R\$)	<b>31.03.2008</b>	<b>31.12.2007</b>
<b>Total Assets</b>	<b>9,843,076</b>	<b>9,975,335</b>
<b>Current assets</b>	<b>4,697,059</b>	<b>5,023,565</b>
Cash	234,284	466,538
Cash equivalents (short-term investments)	1,992,057	2,140,339
Accounts receivable	1,023,696	937,928
Inventories	173,011	162,471
Taxes recoverable	73,669	87,017
Prepaid expenses	93,624	151,372
Deferred income tax and social contribution	33,191	31,874
Advances to aircraft manufacturers	923,374	864,440
Other receivables	118,959	137,071
Aircraft insurance and others	31,194	44,515
<b>Long term assets</b>	<b>621,004</b>	<b>514,794</b>
Deferred income tax and social contribution	0	0
Deposits in guarantee	120,666	161,488
Advances to aircraft manufacturers	167,693	105,115
Advances for aircraft maintenance	199,868	119,633
Judicial deposits	75,478	75,017
Other accounts receivable	57,299	53,541
<b>Permanent assets</b>	<b>4,525,013</b>	<b>4,436,976</b>
Goodwill	9,680	9,680
Other investments	70	70
Property, plant and equipment	4,496,520	4,414,070
Intangible	18,743	13,156
<b>Total liabilities and Shareholders' Equity</b>	<b>9,843,076</b>	<b>9,975,335</b>
<b>Current liabilities</b>	<b>2,881,174</b>	<b>3,059,961</b>
Suppliers	382,637	426,856
Leases payable	338,608	330,231
Loans and Financing	748,351	881,148
Debentures	9,409	32,159
Senior Bonds	16,662	7,076
Reorganization of the Fokker 100 Fleet	12,165	11,501
Taxes and Charges	101,350	59,051
Loyalty Program	21,122	20,614
Advance ticket sales	723,808	791,546
Salaries and payroll charges	272,079	236,708
Deferred gain on sale-leaseback	32,085	32,085
Provision for Income Tax and Social Contribution	9,909	20,079
Interest on equity and dividends payable	32052	32052
Other accounts payable	180,937	178,855
<b>Long-term liabilities</b>	<b>4,950,845</b>	<b>4,945,963</b>
Obligations under financial leases	2,461,086	2,515,907
Long-term debt	258,422	219,190
Debêntures	500,000	500,000
Senior Bonds	524,730	531,390
Reorganization of the Fokker 100 fleet	37,555	41,523
Provision for contingencies	864,888	844,713
Provision for income tax and social contribution	117,122	92,815
Deferred gain on sale-leaseback	139,419	147,441
Other liabilities	47,623	52,984
<b>Minority Interest</b>	<b>2,733</b>	<b>2,629</b>

**Table 18: Breakdown and maturity of Leases classified as financial leases in US GAAP**

US GAAP (thousands of dollars)	Financial interest and (monthly payments)	03.31.2008	12.31.2007
<b>Foreign currency</b>			
Fokker 100 aircraft and engines	Fixed interest of 1.1% p.a.	0	5.136
Airbus A319/A320/A321/A340 aircraft and engines	6-Months LIBOR + 1.5% p.a. (6.7%p.a.)	915.339	776.488
	1-Month LIBOR + 1.5% p.a. (3.2%p.a.)	112.306	99.956
Airbus A330 aircraft, engines and spare parts	1-Month LIBOR + 1.5% p.a. (4.25%p.a.)	562.330	495.825
Lease obligations	1-Month LIBOR + 1.5% p.a. to 1.9% p.a. (7.3%p.a.)	168	825
	6-Months LIBOR + 0.7% p.a to 2.3% p.a (12.75% p.a.)	708	1.675
	3-Months LIBOR + 0.03% p.a to 2.5% p.a (18.6% p.a.)	1.819	2.522
	Fixed interest of 1,1% p.a.	7.980	5.663
		<u>1.600.648</u>	<u>1.388.089</u>
Current		<u>(193.590)</u>	<u>(161.057)</u>
Non-current		<u>1.407.058</u>	<u>1.227.032</u>

The company provided letters of guarantee for the transactions above.

Future disbursements due on these contracts, per year of maturity, amount to:

Year	03.31.2008	12.31.2007
2009	125.992	144.022
2010	155.799	134.295
2011	160.658	137.357
2012	165.795	141.656
2013	188.397	161.130
After 2013	610.418	508.572
	<u>1.407.058</u>	<u>1.227.032</u>

### Financial leases in US GAAP

In US GAAP financial reports, TAM had 44 operational lease contracts in 1Q08 (Airbus A319 – 9, Airbus A320 – 20, Airbus A321 – 3, Airbus A330 – 10 e Airbus A340 – 2), which were reclassified as financial leases in accordance with US GAAP, “Statement of Financial Accounting Standard” “SFAS” no. 13 Accounting Leases. Engines and spare parts are also considered financial leases.

## Glossary

<b>Paid Passengers transported</b>	Total number of passengers who actually paid and flew on all TAM flights
<b>RPK</b>	Revenue passenger kilometre, or transported passenger-kilometre, corresponding to the product of multiplying the number of paying passengers transported by the number of kilometres flown by such passengers
<b>ASK</b>	Represents our capacity, multiplying the aircraft seating by the number of kilometre flown by the seats
<b>Average tariff</b>	Represents the results of the total passenger revenue divided by total paid passengers transported
<b>Yield</b>	Average amount paid per passenger to fly one kilometre.
<b>RASK</b>	Revenue per ASK, or quotient of dividing total operating revenue by the number of seats available per kilometre; the result is presented in centavos or reais per seat-kilometre
<b>CASK</b>	Operational Cost per ASK, or quotient of dividing total operational cost by the number of seats available per kilometre; the result is presented in centavos or reais per seat-kilometre
<b>Load factor</b>	Percentage of aircraft occupied on flights, calculated by the quotient between RPK and ASK.
<b>Break-even Load factor (BELF)</b>	BELF is the load factor that equalize passenger revenues and operating costs
<b>Market Share</b>	Company's share in the total market demand (measured in RPK)
<b>Capacity Share</b>	Company's share in the total market offer (measured in ASK)
<b>Flight Hour</b>	Represents the flight time of aircraft calculated from the time of departure to engine shutdown
<b>Number of flight legs</b>	The number of operational cycles realized by our aircraft which comprises take-off, flight and landing.

## **Investor Relation contacts:**

Libano Miranda Barroso (CFO)  
Roberta Noronha (Manager Investor Relations)  
Jorge Helito (Investor Relations Analyst)  
Andre Ferreira (Investor Relations Analyst)

Tel.: (5511) 5582-9715

Fax: (5511) 5582-8149

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

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

### ***About TAM:***

TAM ([www.tam.com.br](http://www.tam.com.br)) has been the leader in the Brazilian domestic market for more than four years, and held a 47.1% domestic market share and 72.4% international market share at the end of April 2008. TAM operates regular flights to 42 destinations throughout Brazil. It serves 79 different cities in the domestic market through regional alliances. Additionally, it maintains code-share agreements with international airline companies that allow passengers to travel to a large number of destinations throughout the world. TAM was the first Brazilian airline company to launch a loyalty program. Currently, the program has over 4.7 million subscribers and has awarded more than 5.5 million tickets.

### ***Forward-looking statement:***

This notice may contain estimates for future events. 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 herein. These estimates are subject to changes without prior notice.