

Information of Interest – LATAM revises the Total Operating Expenses, EBIT and EBITDA calculation methodology

Santiago, July 18, 2024 - In the context of LATAM Airlines Group S.A. (“LATAM” or the “Company”) filing of an automatic shelf registration statement on Form F-3 (the “F-3”) and the accompanying F-3 Prospectus Supplement (the “Prospectus Supplement”, and together with the F-3, the “Prospectus”) with the U.S. Securities and Exchange Commission (“SEC”) as part of a registered offering of certain shares proposed to be sold by certain shareholders listed in the Prospectus Supplement, and in order to more closely align with the SEC guidelines governing the matter, LATAM has decided to adjust the methodology used in the Prospectus for calculating the Total Operating Expenses, EBIT and EBITDA non-GAAP measures (such metrics, the “Financial Metrics”). For the avoidance of doubt, this does not indicate any errors or mistakes in previous calculations and releases of these metrics nor in its financial statements and accounting reporting generally. Following this adjustment, the Financial Metrics presented in the Prospectus Supplement will not be directly comparable with the Financial Metrics figures previously reported in the Company's publications.

In LATAM's previous publications, the EBIT and EBITDA measures excluded costs associated with foreign exchange fluctuations, restructuring activities, indexation costs, and other gains and losses (including, but not limited to, contingencies related to non-current operations, fair value adjustments, and other one-time effects), incorporated in the line item “other income (expenses)”. However, with the revised methodology adopted in the Prospectus Supplement, the EBIT and EBITDA calculation now includes all these accounts. Going forward, LATAM will utilize this revised methodology in the Company's publications. However, for the adjusted EBIT and adjusted EBITDA, all these lines will be added back, along with other adjustments related to aircraft rentals expense and adjustments in connection with our Corporate Incentive Plan, which is an employee benefit plan described in more detail in Notes 22(c) and 33(b) to our Audited Consolidated Financial Statements (the “Corporate Incentive Plan”). With this, the revised adjusted EBIT and adjusted EBITDA align with previously reported adjusted figures, since they incorporate the same line items.

With regard to the Total Operating Expenses, in previous publications, LATAM presented this figure excluding costs associated with foreign exchange fluctuations, restructuring activities, indexation costs, and other gains and losses (including, but not limited to, contingencies related to non-current operations, fair value adjustments, and other one-time effects), which were incorporated in the non-operational line item “other income (expenses)”. However, with the revised methodology adopted in the Prospectus Supplement, the Total Operating Expenses calculation now includes costs associated with restructuring activities and other gains and losses. Going forward, LATAM will utilize this revised methodology in the Company's publications. However, regarding the adjusted Total Operating Expenses, these two lines will be added back, along with other adjustments for aircraft rentals expense and adjustments in connection with our Corporate Incentive Plan. With this, the revised adjusted Total Operating Expenses align with previously reported adjusted figures, since it incorporates the same line items. This change in methodology has an effect in the unitary cost metric, cost per available seat kilometers - (“CASK”) as it will now incorporate the costs associated with restructuring activities and other gains and losses as per Total Operating Expenses. Previous CASK figures will not be directly comparable and therefore the Company will re-report these figures going forward. Furthermore, LATAM will now present an adjusted CASK metric, that utilizes the adjusted Total Operating Expenses, which adds back the effect of other gains and losses and to deduct restructuring activities expenses, in addition to adjustments related to aircraft rentals expenses and adjustments in connection with our Corporate Incentive Plan.

For reference, the definitions and calculations that will be used going forward for the Total Operating Expenses, adjusted Operating Expenses, EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDAR financial metrics are as follows:

“Total Operating Expenses,” which is the sum of our cost of sales, distribution costs, administrative expenses, other expenses, restructuring activities expenses and other gains and losses;

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LATAM Airlines Group S.A.
Investor Relations

Tel: (56-2) 2565-3844
www.latamairlinesgroup.net

“Adjusted Operating Expenses,” which consists of our total operating expenses adjusted to add back the effect of other gains and losses (including, but not limited to, contingencies related to non-current operations, fair value adjustments, and other one-time effects), and to deduct restructuring activities expenses. As further adjusted to add back the aircraft rentals expense and adjustments in connection with our Corporate Incentive Plan, which is an employee benefit plan described in more detail in Notes 22(c) and 33(b) to our Audited Consolidated Financial Statements (the “Corporate Incentive Plan”). The Company created the Corporate Incentive Plan, an extraordinary and exceptional incentive plan, with the aim of incentivizing the retention of talent among the executives of the Company and in response to the exit of Chapter 11 proceedings, and these expenses are included within the administrative expenses line, specifically wages and benefits expenses;

“EBIT,” which consists of our EBITDA less depreciation and amortization;

“EBITDA,” which consists of net income/(loss) for the period before income taxes, financial costs and financial income, plus depreciation and amortization expense;

“Adjusted EBITDA,” which consists of net income/(loss) for the period before income taxes, financial costs and financial income, plus depreciation and amortization expense, as further adjusted to add back the effect of other gains and losses (including, but not limited to, contingencies related to non-current operations, fair value adjustments, and other one-time effects), and to deduct restructuring activities expenses, exchange rate differences, the result of indexation units and adjustments in connection with our Corporate Incentive Plan;

“Adjusted EBITDAR,” which consists of our Adjusted EBITDA plus aircraft rentals expense; and

“Adjusted EBIT,” which consists of our Adjusted EBITDAR less depreciation and amortization.

The information contained in the Prospectus has been prepared solely to more closely align to the SEC guidelines governing the matter, and does not constitute or replace in any manner whatsoever the provision of the financial statements to the Commission for the Financial Market in Chile (the “CMF”) and to the market, with regards to requirements governing substance, procedures and terms for the submissions thereof set forth by the CMF in applicable regulations. Further, in what respects to the information regarding the Q2 of 2024 which has not yet been officially reported by the Company, the information included in the Prospectus has not been audited and has a limited scope and therefore may be subject to changes along with the regulatory processes governing the preparation of our quarterly financial statements, including the limited review by the external auditors, if applicable.

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ABOUT LATAM GROUP

LATAM Airlines Group S.A. and its subsidiaries are the leading airline group in Latin America, with presence in five domestic markets in the region: Brazil, Chile, Colombia, Ecuador and Peru, in addition to international operations within Latin America and to Europe, Oceania, Africa, the United States and the Caribbean.

The group has a fleet of Boeing 767, 777, 787, Airbus A321, A321neo A320, A320neo and A319 aircraft. LATAM Cargo Chile, LATAM Cargo Colombia and LATAM Cargo Brazil are the LATAM group's cargo subsidiaries. In addition to having access to the bellies of the passenger affiliates' aircraft, they have a fleet of 20 freighters. These cargo subsidiaries have access to the group's passenger aircraft, and operate within the LATAM group network, as well as on exclusive international routes for cargo transportation. In addition, they offer a modern infrastructure and a wide variety of services and support options to meet the needs of its customers.

More financial information at www.latamairlinesgroup.net

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