



— LATAM AIRLINES GROUP —

## Second quarter 2013 Results Presentation

August, 2013

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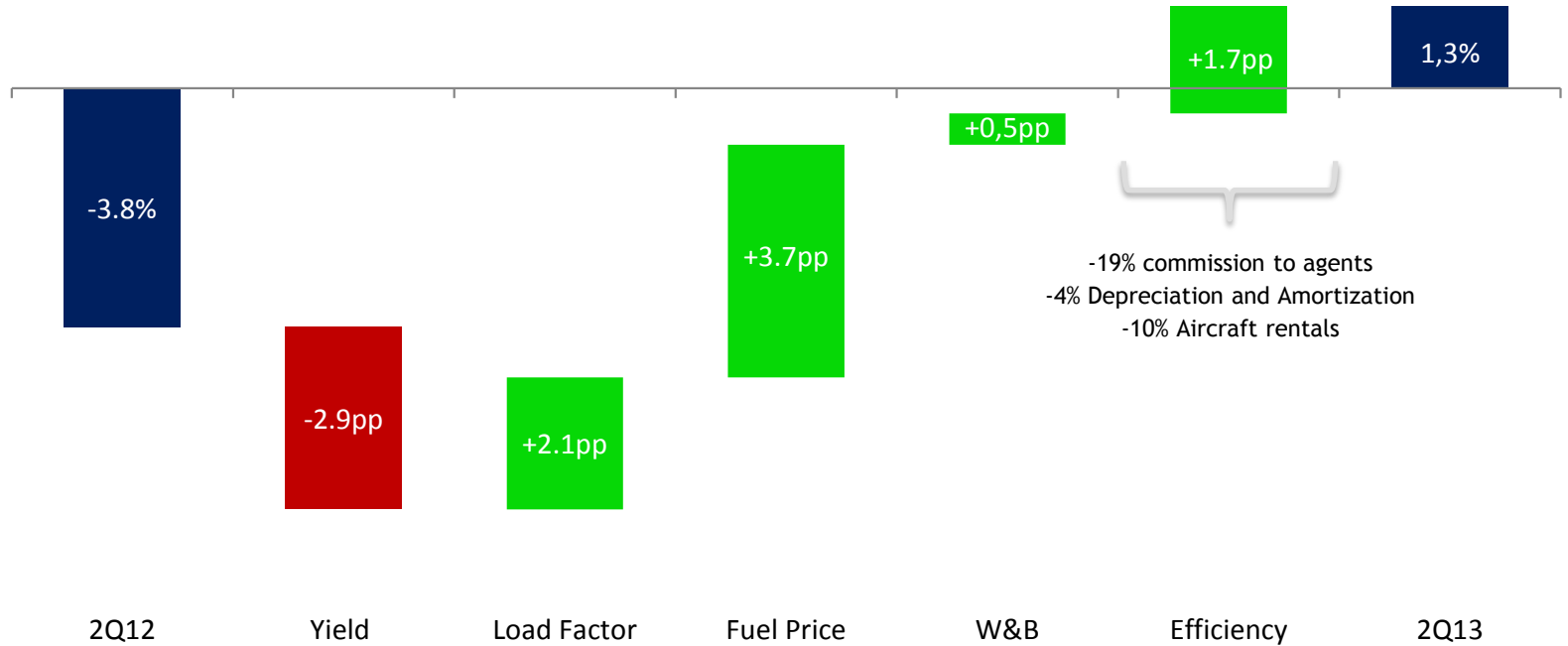
# LATAM Airlines Group: Highlights 2Q 2013

(US\$ million)	2Q13	2Q12 Proforma	% Change (YoY)
<b>Total Revenues</b>	<b>3,098,911</b>	<b>3,089,031</b>	<b>0.3%</b>
Passenger Revenues	2,520,129	2,554,638	-1.4%
Cargo Revenues	486,527	478,244	1.7%
<b>Total Operating Expenses</b>	<b>-3,059,551</b>	<b>-3,206,023</b>	<b>-4.6%</b>
<b>Operating Income</b>	<b>39,360</b>	<b>-116,992</b>	<b>n.m.</b>
Operating Margin	1.3%	-3.8%	5.1 pp
<b>Net Income</b>	<b>-329,830</b>	<b>-448,793</b>	<b>-26.5%</b>
<b>EBITDAR*</b>	<b>383,017</b>	<b>248,018</b>	<b>54.4%</b>
EBITDAR Margin	12.4%	8.0%	4.3 pp

- Non operational results include a US\$361 million and US\$431 foreign exchange loss for the second quarter 2013 and 2012 respectively.
- Results include a 5% YoY and 10% QoQ depreciation of the Brazilian currency.

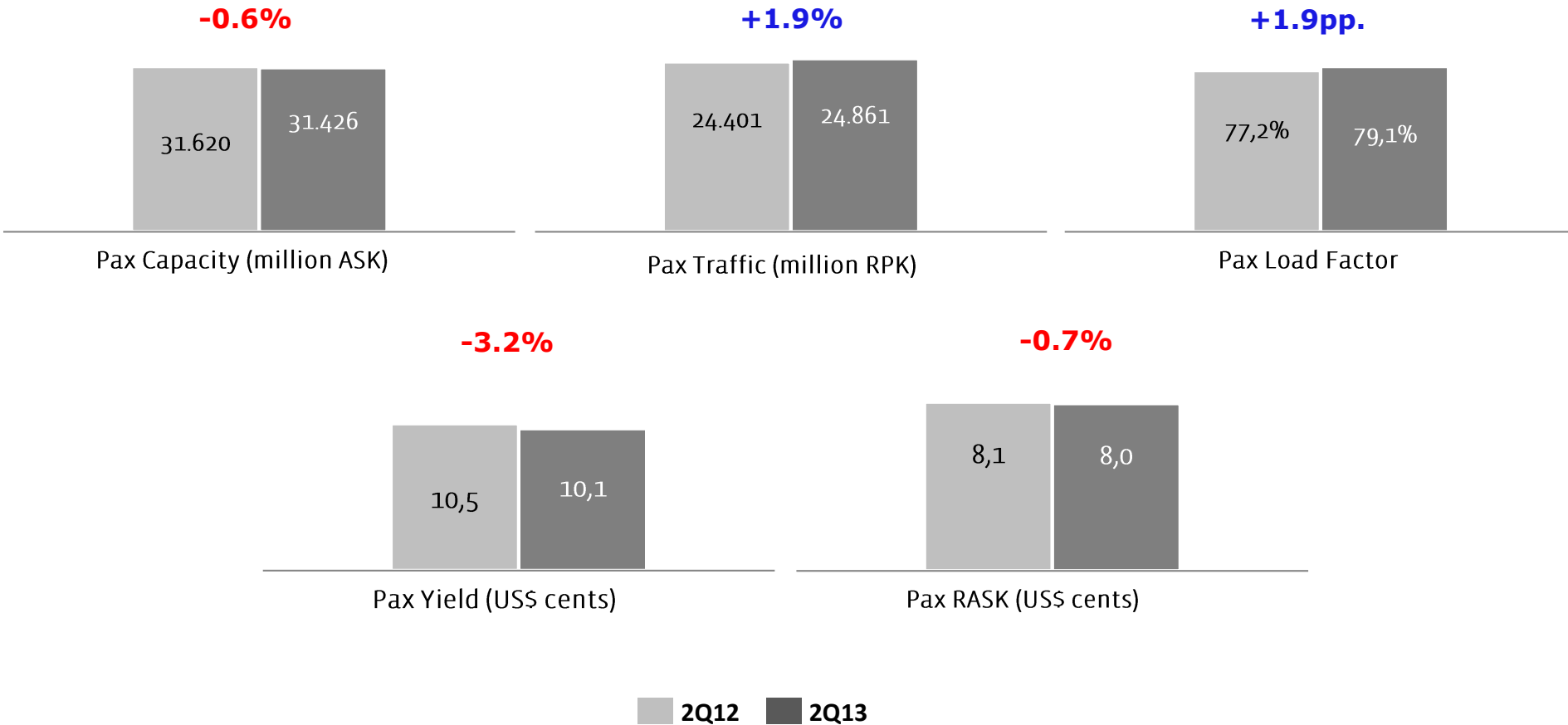


# LATAM Airlines Group Operating Margin Analysis



2Q12	Yield	Load Factor	Fuel Price	W&B	Efficiency	2Q13
1.96	—————	Brazilian real [US\$]	—————	—————	2.07	5.3%
3.70	—————	Fuel Price [US\$]	—————	—————	3.34	-9.9%
<b>-117</b>	—————	Op. Margin [US\$MM]	—————	—————	<b>39</b>	

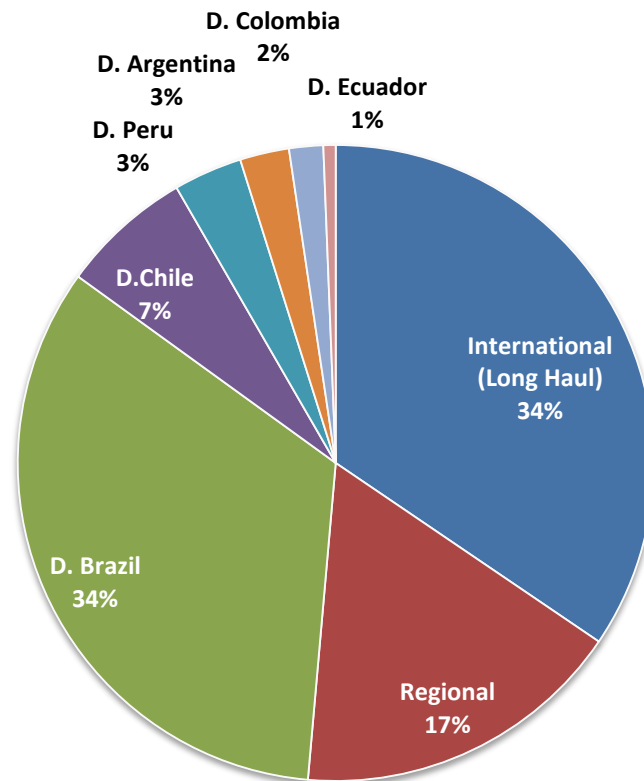
# LATAM Airlines Group Passenger Operations - Revenue decreased 1.4%



# LATAM Airlines Group: Diversified passenger capacity growth



## ASK 2Q 2013



<u>Growth in ASK (2Q13 vs. 2Q12)</u>	<u>-0,6%</u>
International (Long Haul & Regional)	3,6%
Brazil Domestic	-11,6%
Chile Domestic	21,1%
Peru Domestic	16,5%
Argentina Domestic	3,2%
Colombia Domestic	3,1%
Ecuador Domestic	48,7%

# International: Rationalization of international passenger operations



Reducing capacity on certain long haul routes from Brazil, especially from Rio de Janeiro to Europe



Strengthening Sao Paulo Hub at Guarulhos Airport



Grounding oldest Airbus A330 aircraft



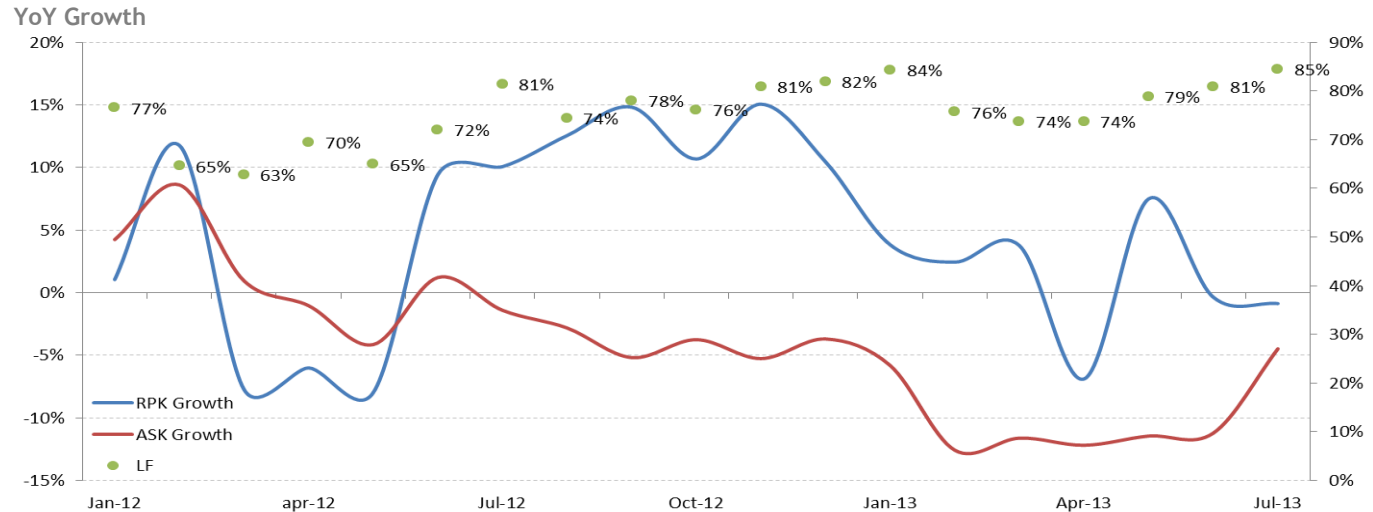
Operating Boeing 767s on TAM's long haul routes = lower CASK



Starting August 15, 2013, TAM is marketing its code share agreements with American Airlines

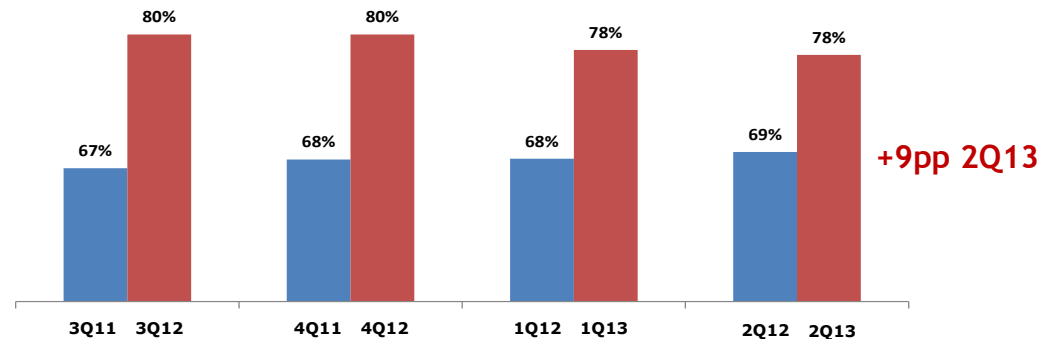
# Domestic Brazil: Successful turnaround

## Continued capacity reductions:



**-11% ASKs as compared to June 2012**

## Load Factor improvement:



➔ RASK improvement of over 14% in Brazilian reais as compared to 2Q12



# LATAM Airlines Group Cargo Operations - Revenue increases 1.7%

**+3.2%**



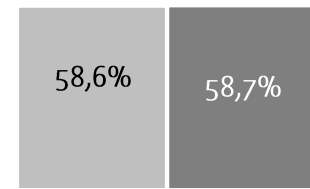
Cargo Capacity (million ATK)

**+3.3%**



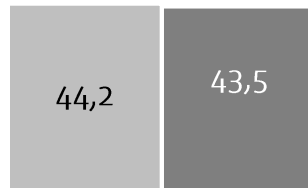
Cargo Traffic (million RTK)

**+0.1pp.**



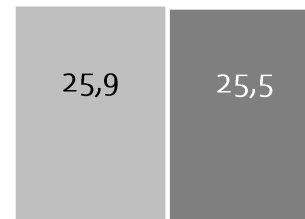
Cargo Load Factor

**-1.5%**



Cargo Yield (US\$ cents)

**-1.4%**



Cargo RASK (US\$ cents)

■ 2Q12 ■ 2Q13

# Main Cargo initiatives



## BELLY AS THE MAIN FOCUS

- Main focus is the optimization LATAM Belly capacity
- Design new products & processes to maximize Belly capacity profitability



## BRAZIL DOMESTIC BUSINESS

- Accelerate quick-wins capture and identify new sale and optimization opportunities
- Infrastructure & IT Systems development
- Definition of future business model



## OPERATIONAL & COST EFFICIENCIES

- Handling cost savings
- Implementation of LEAN methodology
- Efficiencies in back office organization



## CARGO NETWORK OPTIMIZATION

- Network redesign to support Belly
- Freighter capacity discipline
- Definition of long term fleet plan

# Merger Synergies on track



## Cargo Operations

- Integration of international cargo operations
- Implementation of new connection process in GRU and GIG

## Passenger Operations

- Enhanced connectivity through route optimization, cross selling and code shares intra LATAM's companies and partners.
- Sharing of best practices
- Alignment of fare combinability and commercial policies

## Cost Synergies

- Renegotiations of fuel contracts have been completed in all airports
- Joint negotiation of contracts with different suppliers
- Exchange of best practices within the company
- Reduction of duplicate functions in the commercial structure
- Standardization of the company's product

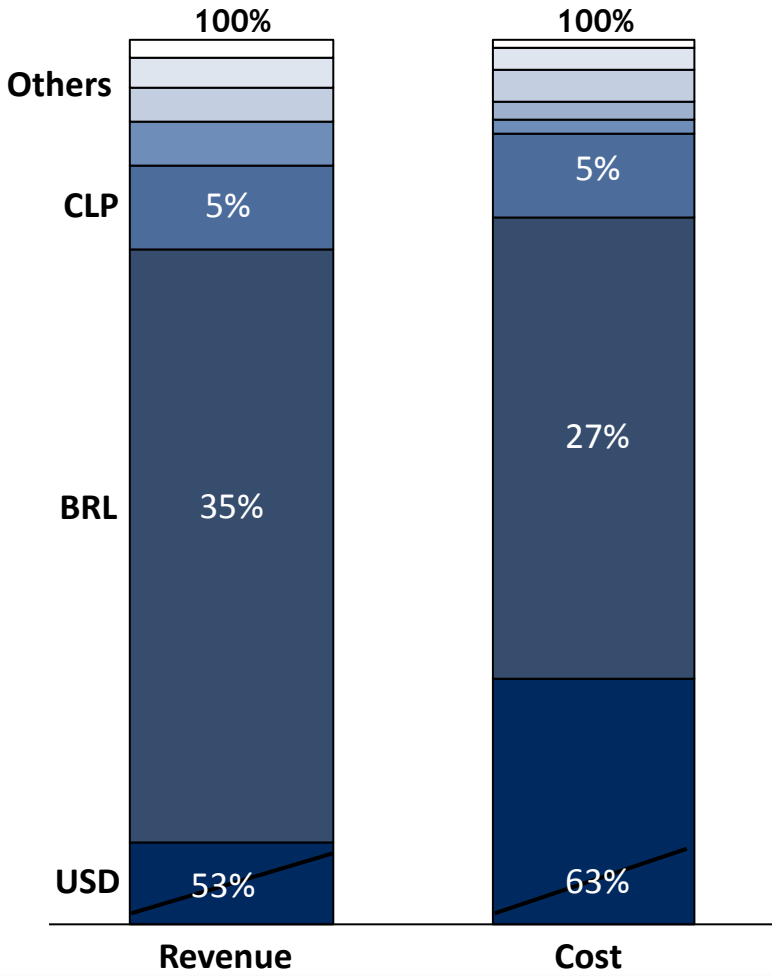
During the first 12 months since the merger the company recorded:

- US\$ 233 million in synergies
- US\$103 million in one-time merger costs



# LATAM operating exposure dominated by BRL

LATAM FX Rate Composition (%)



## FX Operational Impact

- ➔ Gap between revenues and cost in Brazil of 8pp
- ➔ Over the last 12 months we've reduced operating exposure in approximately US\$100 mm
- ➔ Manage operating exposure by increasing sales in USD and costs in BRL

Note: Others include CLP, EUR, PEN, ARS and COP

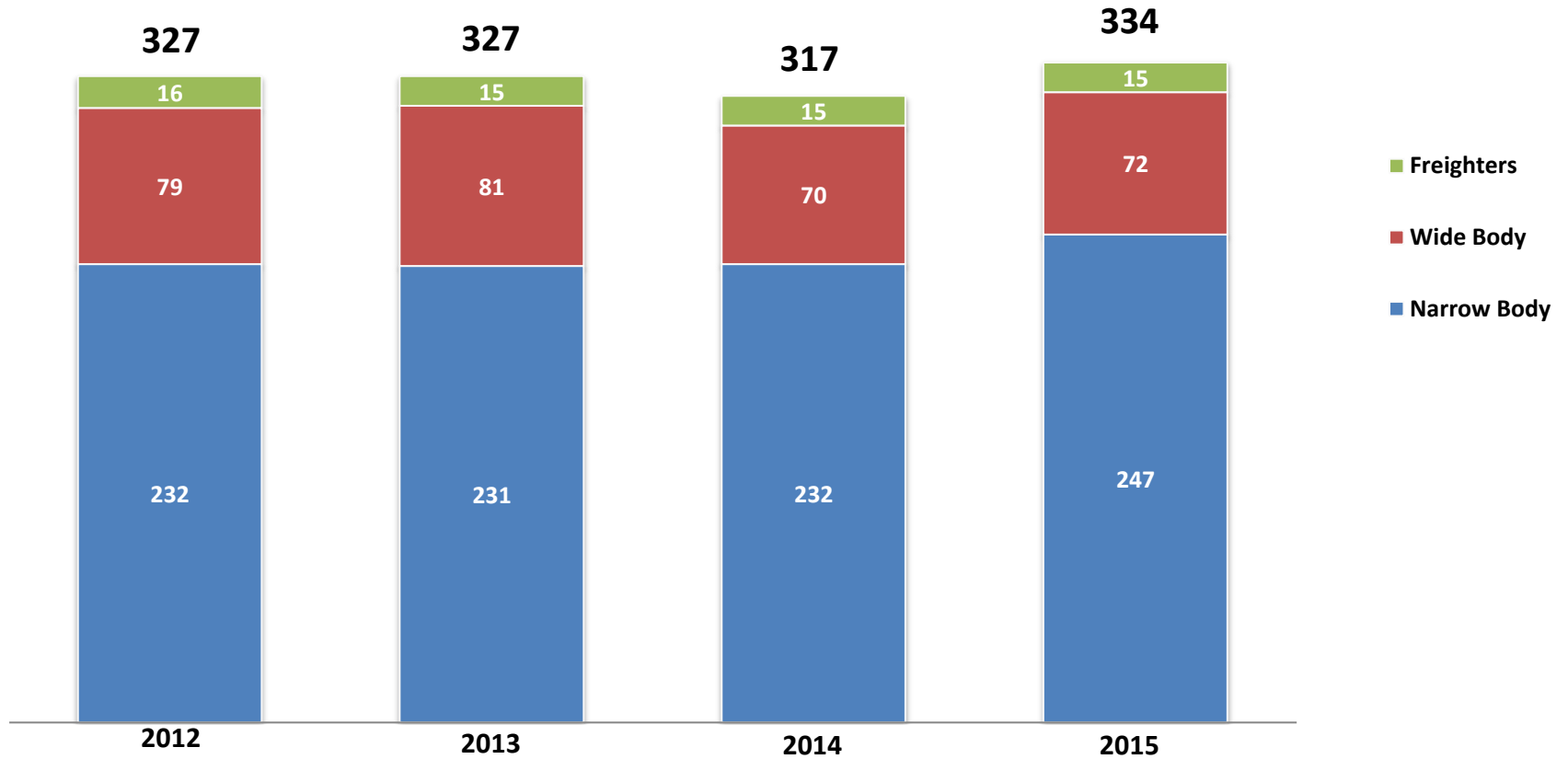
## LATAM balance sheet exposure dominated by BRL

	2Q12	3Q12	4Q12	1Q13	2Q13	YE13e	2Q14e
BRL Balance Sheet exposure (US bn)	4.1	4.6	4.0	3.9	2.4	~0.9	~0.0
BRL Depreciation vs previous quarter	10.0%	0.9%	1.2%	-1.5%	10.4%		
P&L non operating impact (US mm)	-431	+10	-11	+38	-361		

➔ Balance Sheet exposure reduced by moving aircraft from TAM to LATAM

# Right sizing LATAM's fleet plan

## Total aircraft at the end of the year



## Fleet commitments as compared to June 2012

US millions	2013	2014	2015	Total
Fleet commitments June 2012	2,297	2,594	1,248	6,139
Fleet commitments June 2013	1,953	1,343	1,773	5,069

Reduction: 1.1 billion

**NET FLEET REDUCTION:**

- NB: 21 aircraft
- WB: 1 aircraft

Aircraft Returns and Sale	526	697	211	1,434
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**Total Adjusted Net Debt reduction: 2.5 billion**

# 2013 Guidance

Guidance		2013-2012	Dic13-Dic12
ASK Growth	International (Long Haul & Regional)	2% / 4%	--10%
	Brazil Domestic	-7 / -9%	--2%
	SSC Domestic	12% / 14%	~13%
	TOTAL	0% / 2%	--4%
ATK Growth		0% / 2%	
Synergies(EBITDA)	(FY 2013)	US\$250-300 mm	
Operating Margin	(FY 2013)	4% / 6%	
Average exchange rate (BRL/USD)	(2H 2013)	2.30	
Jet Fuel Price (US\$/bl)	(2H 2013)	122	





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