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PRESENTATION

Operator

Good day, everyone and welcome to LATAM Airlines Group earnings release conference call. As just a reminder this conference is being recorded.

LATAM Airlines Group earnings release for this period was distributed on Monday, March 17. If you have not received it you can find it on our website at www.latamairlinesgroup.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.

Now it is my pleasure to turn the call over to Ms. Gisela Escobar, Corporate Controller and Investor Relations Officer of LATAM Airlines Group. Ms. Escobar, please proceed.

Gisela Escobar - *LATAM Airlines Group - Corporate Controller & Investor Relations Officer*

Thank you very much. Good morning, everyone and thanks for joining the call.

This morning we have here in the room in Santiago, Andres Osorio, who is the CFO of LATAM; Roberto Alvo, who is the Chief Corporate Officer; and we're also joined by Francisco Recabarren who is in charge of the Domestic Brazil Passenger Operations; and Damian Scokin, who is the CEO of the International Passenger Operations; as well as Andres del Valle, who is the Corporate Finance Director. I'm going to turn the call over to Andres Osorio for some opening remarks and then we are going to go through the slide presentation which is on our website.



Andres Osorio - LATAM Airlines Group - CFO

Hi, everybody. Good morning, thanks for being with us. I want to remark some highlights before you represent on more detail our information.

LATAM has shown a significant improvement in operating income despite the negative effect of the depreciation of the Brazilian real and the nonrecurring cost related to with the leverage of certain aircraft. Over the past year LATAM has effectively completed the restructuring of its balance sheet including the successful capital increase that's raised \$940 million.

With this the Company achieved significant progress in an important and a strategic process that seeks to strengthen the balance sheet and financial position at the time through reducing the leverage and improving liquidity. As of December LATAM has reduced exposure to the Brazilian real on TAM's balance sheet from \$4.1 billion in June 30, 2012, to \$2 billion by the end of 2013. And we expect to reduce this exposure to approximately \$500 million by June 2014.

The Company has accelerated its late restructuring plan in order to phase out our older aircraft and incorporate new technologies and larger aircraft models in order to have cost efficient operations increasing LATAM's competitiveness in the long haul and better product for our passenger. This has led to anticipate the deliveries of certain aircraft all of which generate approximately \$29 million in nonrecurring cost during 2013 and \$17.5 million for the fourth quarter.

TAM continues to make significant improvement in the financial results of the domestic Brazil passenger operations containing capacity discipline 6% reduction quarter-over-quarter, improved market segmentation and revenue management practices that have resulted in increased yield and healthy load factor of 81.6% leading to significant increase in RASK, 11.3% in Brazilian reals. LATAM continues to see positive results from our strategy of rationally personalizing international passengers.

RASK has increased as well mainly as a result of the capacity rationalization and the consolidation of the Guarulhos Airport as the main hub for the regional and long-haul traffic in South America. More details about this highlight we'll comment this a lot. Thanks again.

Gisela Escobar - LATAM Airlines Group - Corporate Controller & Investor Relations Officer

Great. Thanks Andres.

If you turn to the slide presentation on slide number 2, which is the first slide you can see some highlights of our results for the quarter and for the full year. You can see that in the fourth-quarter revenues are down approximately 2% because the site, the devaluations of the local currencies both in Brazil and in the other Spanish-speaking countries.

And we have a decline in operating expenses that leads to a strong improvement in our operating income. Operating margin for the quarter reached 6.9% and for the year reached 4.9%. We recognized during the fourth quarter of 2013 and also to some extent during earlier quarters of the year certain nonrecurring expenses related to the restructuring of our fleet which we will describe in more detail later on.

But basically excluding these expenses which amounted to \$17 million in the fourth-quarter operating margin reached 7.4%. At the net income level we have a \$46 million loss that is mainly related to the foreign exchange loss as a result of this depreciation of the Brazilian currency compared to the September 2015 figure. That depreciation was about 6%.

If we look at the next slide you can see the analysis of our improvement in EBIT margin. We have a negative impact from the yield declines that is approximately a 1% yield decline in the passenger business overall and approximately a 7% yield decline in the cargo business. And this is offset by improvement in load factors both in the passenger and in the cargo business.

We also have a positive impact from fuel expenses as a result of a 6% decline in the fuel price and also a 6% reduction in the number of fuel gallons consumed as a result of smaller operations. Overall ASKs during this quarter reduced by 4.5% as compared to the fourth quarter of 2012.



If you go to slide number 4 you can see that in our -- we are providing more detail than we have previously provided with respect to our revenues per ASK. Overall for LATAM passenger business revenue per ASK was up almost 4% and you can see on the slide the breakdown among the different business units.

In the international passenger business unit capacity was down approximately 7% in revenue per ASK was up approximately 7% mainly driven by a strong improvement in load factors of about 6 points. In the domestic Brazil business unit which represents about 34% of our total passenger revenue, passenger capacity is down approximately 6%, load factors are up 1.4 percentage points and revenue per ASK is up 2% in US dollars. If we look at this number in the Brazilian real it's an increase of approximately 11.3%.

When we look at the Spanish-speaking countries which are the other five countries in South America where LATAM Airlines provides domestic passenger services all of these together represent 16% of our total passenger revenues. And here we have been increasing passenger capacity approximately 6% in the quarter with stronger load factors but a 5.5% decline in revenues per ASK.

This decline is mainly driven by lower yields that results from a devaluation of local currencies in all of these markets. In the fourth quarter in Chile, the Chilean peso devalued by approximately 8%, similar in Peru also close to 8% devaluation, in Argentina it was over 25% and the Colombian peso in the quarter also devalued by approximately 6%. So this has been impacting the yields in our other domestic markets.

When we look specifically at the domestic Brazil operations we continue to see the same trends that we have been showing in prior quarters. We continue to see strong load factors. The load factor at TAM reaches 80% for the full-year 2013.

It's higher than the industry average. And we continue to be very rational in terms of our capacity, of our capacity plan.

In 2013 ASKs were down 8.4% and our current guidance for 2014 is that we will be flat in terms of capacity. And with that we have maintained TAM's market share at approximately 40% with strong leadership in the corporate passenger.

On the international passenger business as we've been discussing also in prior quarters we have been implementing certain strategies as a result of the integration of LAN and TAM. Mainly we have done a significant rationalization of capacity especially on long-haul routes both on the LAN network and from Brazil.

We have a strong reduction in ASKs is especially out of Rio to Europe and to the United States. And we've also seen overall in the long-haul routes an 11% reduction in ASKs when we compare December 2013 to December 2012, so a strong reduction in the long-haul operation.

We have been focusing on a developing the hub at Guarulhos Airport which basically requires a change in the itinerary that we are currently operating. And we expect to implement that towards the second half of this year after the expansion of terminal 3 at Guarulhos.

We've also been implementing certain fleet changes. At TAM we have replaced the older Airbus A330s in the TAM fleet and we are replacing them with Boeing 767s that were previously operated by LAN, which provide an improvement in terms of cost per ASK and also an improved product for the customer since the 767s have the full flat business class product. And we have also implemented the codeshare agreement between TAM and American airlines which has been operating since August of last year.

When we look at the cargo numbers we have seen as we already mentioned a significant change in the cargo operation as a result of the merger with TAM where the belly capacity becomes significantly more relevant as a percentage of our total cargo capacity. Today we operate approximately 50% of ATKs in freighter and 50% in bellies.

We have been reducing actively our cargo capacity mainly on the freighter fleet focusing on utilizing the belly capacity of our passenger aircraft and also responding to a weaker demand especially on southbound roots. Cargo traffic overall was down 4% in the fourth quarter and cargo load factors were up 1.4 points. We have been, as I mentioned, focusing on the belly capacity and we are still seeing a very competitive cargo environment especially in the Brazilian market.



When we look at our operating costs we've seen in the fourth quarter compared to the fourth quarter of 2012, a decline of close to 5% in terms of wages. This is driven by a decline in headcount of close to 1% and also by the depreciation of the local currencies since a significant percentage of wages and benefits are paid in local currencies both in Brazilian reals and in Chilean pesos.

When we look at aircraft costs these are approximately 15% of total costs and here we are including depreciation, aircraft rentals and maintenance but we are excluding the nonrecurring costs that I mentioned at the beginning. We have a 1% decline in aircraft costs and then we have about a 3% decline in other cost line.

That leads to a 3% decline in cost per ASK equivalent in the fourth quarter. And when we add fuel it is a 6% decline in cost per ASK equivalent as a result of our lower fuel expenses during the quarter.

Moving to the balance sheet, I think it's important to highlight that the progress that we've made in terms of reducing the exposure of TAM's balance sheet to the depreciations of the Brazilian currency. We have reduced the exposure by half, we've basically brought it down to \$2 billion at the close of last year compared to \$4 billion right after the merger at the end of 2012 and we expect to make much more progress here during the first half of this year and to reach June with about \$0.5 billion of exposure.

This will reduce the volatility in our income statement in the non-operating line where we see where we need to adjust the exchange rate differences for the imbalance of the TAM balance sheet. In the fourth quarter this was about \$140 million of impact. So this is something that we expect to be mitigated going forward.

We also, as you know, completed successfully our capital raising efforts. We completed the process in January of this year and raised a total of \$940 million with the issuance of 62 million shares. And in addition to that earlier in the year in November we had closed the placement of a securitized bond for \$450 million.

So this leaves our balance sheet together with a much improved cash flow generation of our operations, it leads to a much stronger leverage profile. We have reduced our leverage ratio from 7.2 times to 4.9 times at the close of December 2013 and we are also in a much stronger liquidity position with cash reaching approximately 19% of revenues at the close of the year. I'm going to turn over now to Roberto Alvo to discuss our fleet restructuring program.

Roberto Alvo - LATAM Airlines Group - CCO

Thank you, Gisela. During the second semester of last year the Company took as efficient to move forward quickly in regards of an important fleet restructuring of the Company. We expect to single our operations.

We have been operating 737s and Q400s in Columbia that were acquired from the acquisition of AIRES. And we also have Q4200s, we've decided to phase those airplanes out faster than the original lease contracts these airplanes have, so we are not now flying 737s and Q400s anymore. Those airplanes have been grounded and we delivered some of them, we redelivered first semester of this year.

And we are still operating the Q200s in the next two months and we also ground them and phase them out in the next couple of years. So we will remain basically with an A320 family dedicated in both domestic Latino and Spanish-speaking domestic operations.

With respect to twin aisle non-whole fleet the Company has several models that is operating today. We also took the decision of streamlining this, getting rid of less efficient aircraft, renewing our fleet and improving our product.

The Company currently operates, has 20 330s of which 9 have been grounded. 7 of those airplanes will be redelivered within the first semester of this year and we expect to completely phase out the 300s, 330s, in the next 24 to 30 months.

We have also grounded the 3450 of TAM that have been -- that are in the process of redelivering and we'll also phase out the 340s, 300s in LAN as of next year. At the end of the day the Company will focus on 767s and 787s and 350s in the medium term as that airplane becomes operational once it is redelivered at the end of 2015.

We are transferring 767s from our currently LAN operation to TAM operation in order to replace the capacity that has been taken out on the phase out of the 330s. Those 767s out of the LAN operation have been steadily replaced by 787s that we received last year and we expect to receive during the course of the year. In total we will basically take out more than 50 airplanes that are old, that are less efficient and that have a much worse product than the one that we have offered on the 767s and 787s.

The new phase represents a substantial decrease in cost per ASK, over 25% reduction, 350 versus the 330. And the 767 particularly also has an important advantage in cost per ASK as compared to the 330.

With respect to the next couple of years, what you see in the slide number 11 is the sequence of aircraft we expect to receive and redeliver in 2014, 2015. The aircrafts, airplanes we receive in 2014 are basically 320 family aircraft, airplanes, plus five 787s. In 2015 we expect to receive an additional seven 787-9s and 321s and we expect to take out some older 320s, 319s and the remaining part of the 330s.

Gisela Escobar - LATAM Airlines Group - Corporate Controller & Investor Relations Officer

The final slide here on the presentation shows our current fuel hedge position. We have hedged for the first three quarters of this year approximately 40% of our estimated fuel consumption with a mixture of jet fuel swaps and collar. The details are on the slide.

That concludes the presentation that we have prepared. We will be happy to answer any questions you may have.

I apologize. I actually forgot to mention the final slide which shows our 2014 guidance.

And there the numbers have not changed. They are the same guidance that we had already published at the end of last year, basically relatively flat capacity growth both in passenger and in cargo and an estimated EBIT margin of between 6% and 8%, excluding the nonrecurring costs that we may incur related to the fleet restructuring that we have described.

And the assumption behind those numbers are an average exchange rate for the Brazilian real of BRL2.4 for the full year and a jet fuel price of \$120 per barrel. That really is the final slide.

I apologize for that. Now we will be happy to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Michael Linenberg, Deutsche Bank.

Catherine O'Brien - Deutsche Bank - Analyst

Good morning, everyone, this is actually Catherine O'Brien filling in for Mike. My first question is now that the American and US Airways merger is complete and the combined Company has chosen to stay in the Oneworld alliance, have you already -- are you already able to start looking passengers on US Airways coded flights, or will not take some further implementation?



Andres Osorio - LATAM Airlines Group - CFO

At the moment we are currently booking passengers on American Airlines and as soon as they integrate their systems we will be able to increase that into US Airways.

Catherine O'Brien - Deutsche Bank - Analyst

Okay. Great. Would you ever consider forging a closer relationship with the new American, maybe something like what Delta has arranged with a couple of your Latin American peers?

Andres Osorio - LATAM Airlines Group - CFO

The alliance strategy of LATAM considers increasing the intelligence of the relationship with all our partners both in Europe and the US.

Catherine O'Brien - Deutsche Bank - Analyst

Okay, great. Just one last quick one.

I know that Venezuela is a relatively small part of your network. Could you tell us about what percentage of your revenue does sales in Venezuela represent?

Gisela Escobar - LATAM Airlines Group - Corporate Controller & Investor Relations Officer

Venezuela's overall of LATAM revenues is less than 1%.

Catherine O'Brien - Deutsche Bank - Analyst

Okay.

Gisela Escobar - LATAM Airlines Group - Corporate Controller & Investor Relations Officer

And in terms of our current cash position in Venezuela which may be the next question we have approximately \$150 million that are currently in Venezuela.

Catherine O'Brien - Deutsche Bank - Analyst

Okay. Have you had any updates from the government what the repatriation process will be going forward?

Unidentified Company Representative

No. There haven't been any updates from the government.

We're still looking for more detail because there's still the same situation as at the last half quarter. No news on that front.



Catherine O'Brien - Deutsche Bank - Analyst

All right. Thank you. That's all for me.

Operator

Savi Syth, Raymond James.

Savi Syth - Raymond James & Associates - Analyst

Regarding the weakness in the Spanish-speaking countries I understand it's the weakness in the currency but if this continues is there more that you could do to reduce capacity? Because I think that's the other thing that put a lot of pressure there is just the strong capacity growth.

Gisela Escobar - LATAM Airlines Group - Corporate Controller & Investor Relations Officer

We still see a healthy demand in those markets so we do have planned if you look at our guidance a growth of around 8% in terms of total ASKs between 6% and 8% in all of those markets. The main impacts that we have seen during the fourth quarter really was more related to the currency. We obviously may reevaluate and we do have flexibility in our fleet if we see the situation significantly change but for now we are maintaining our growth estimates for the year.

Savi Syth - Raymond James & Associates - Analyst

Understood. And then on the cargo side, it seems like cargo reconfirmed what you saw in the third quarter into the fourth quarter. Is that right?

And then also if you could just provide a little bit of an outlook on the first quarter here. And if I recall there was a delay in grain season last year and then how that might impact first quarter versus second quarter this year.

Unidentified Company Representative

The cargo market has not get worse in the fourth quarter it is stable situation of what we have seen the whole year which has been coming down since the end of 2012. So the first quarter was more of the same especially when we are looking about the southbound traffic. Affected as on the northbound in the fourth quarter of 2013 was the weakness of the northbound coming out of Argentina.

Argentina is the first market where we see the start of the high season, the fruit high season, and it was particularly weak this year and affected our figures on the northbound segment. The rest of the northbound business coming out of Chile or Peru or Ecuador and Colombia has been performed very strong the whole year and we have an increase compared with the previous year.

Actually the fruit coming out of Chile where the volumes were much larger than the previous year. Where it affected us was as I said before the export from Argentina. On the southbound we have seen, witnessed all year round and we foresee for the near future that we continue to be that way which is muchly related to the weakness of the economies mainly Brazil which has a very slow GDP growth prospect for the year and also for the currencies they are down compared to the dollar, that also affects the imports.

Savi Syth - Raymond James & Associates - Analyst

Understood. Thanks for that.



Operator

Duane Pfennigwerth, Evercore.

Jeff Eisenberg - Evercore Partners - Analyst

This is Jeff Eisenberg in for Duane. I guess first can you describe the competitive capacity environment as you see it particularly within Brazil and on your long-haul international routes to the US?

Francisco Recabarren - LATAM Airlines Group - Head, Domestic Brazil Passenger Operations

Hi, good morning, this is Francisco Recabarren speaking. About in the Brazil market we expect our guidance to grow to top capacity and the rest of the industry we [have to guide around] to grow more or less at 5%.

As for the international business they will be similar. We plan on flat growth going forward for the rest of the year and we see competitors increasing mildly their capacity at the lower case in the last couple of years.

Jeff Eisenberg - Evercore Partners - Analyst

Okay. Thanks. And I'm wondering about the improvement in itineraries that you described at Sao Paulo. If you can describe what is going on there.

Are you guys making the banks more dense or is this just tactical re-timing of flights? What metrics do you follow when you are evaluating that and how do they relate to the bottom line as you see it? Thanks.

Andres Osorio - LATAM Airlines Group - CFO

The increased capacity at the Guarulhos Airport is a real opportunity for LATAM. As you probably know this currently important constraints around the layover overcapacity our ability to haul the simultaneous flight. So we don't have total certainly going forward but the initial designs show further ability to build a stronger, more capital hub within Guarulhos.

The exact impact of that is still uncertain given that the full capacity of the offer is still unknown and we need to test real implementation by ability of the things we are planning. It's a great opportunity but still uncertain.

Jeff Eisenberg - Evercore Partners - Analyst

Okay, thank you for taking the questions.

Andres Osorio - LATAM Airlines Group - CFO

Yes. About the metrics what we are tracking is obviously the number of connecting passengers and the competitiveness of our international vis-a-vis other carriers in connectivity from bulk of Latin America with both Europe and the US. We are able to put together much more competitive product than the ones we have now.

Jeff Eisenberg - Evercore Partners - Analyst

Got it. Thank you.



Operator

Eduardo Couto, Morgan Stanley.

Eduardo Couto - *Morgan Stanley - Analyst*

I have two questions, one regarding the fleet restructuring costs that you had in the fourth quarter. You mentioned that you are going to continue to have these costs in the next I think two years or so.

Do you have an idea of this fleet restructuring costs for 2014 at least a rough number? That's the first question.

Roberto Alvo - *LATAM Airlines Group - CCO*

We are not disclosing certain numbers at this point in time because we are in the middle of certain important legal seasons. And we foresee that they could be impacted by any discussion could impact the negotiations we are undertaking. We expect nonetheless that the budget of nonrecurring expenses that we will undertake this year will be higher than the ones that we undertook in 2013, which were \$29 million.

Eduardo Couto - *Morgan Stanley - Analyst*

Okay. That really helps.

And just a second question regarding Brazil. You reported I think around 11% RASK growth in the fourth quarter. Do you expect to maintain your double digit RASK growth in local currency in Brazil for this year or do you think that the RASK growth should decelerate in 2014?

Roberto Alvo - *LATAM Airlines Group - CCO*

Eduardo, we just start to finish something I wanted to say on the previous question, we expect to be able to give you more certain numbers at the conference call we will hold next quarter when we release first-quarter numbers for 2014.

Eduardo Couto - *Morgan Stanley - Analyst*

Okay, but it should be higher than last year, right?

Roberto Alvo - *LATAM Airlines Group - CCO*

Right.

Andres Osorio - *LATAM Airlines Group - CFO*

Yes. And going to your question about Brazil. The answer is, yes. We expect to maintain our growth in two digits of RASK because we certain it's sustainable.

Now we are having a much better some expectation of the market and we truly believe that our value proposition allow us to have a better market share incorporated segment. And also we are having high load factor cost, so we're capturing a lot of market share also in the leasing segment. So this mix of higher load factor and better yield we at least that we will maintain the rest of the year.



Eduardo Couto - *Morgan Stanley - Analyst*

But your load factor is already high, no, so the idea is to raise fares, no?

Andres Osorio - *LATAM Airlines Group - CFO*

During the load seasons that means from February to June we think that we have opportunity. But for sure the yield and the fare will be pushed through ASK also.

Eduardo Couto - *Morgan Stanley - Analyst*

Okay. And what is your view about the impact for the World Cup especially on the second quarter because we have June, which stands to be still a good month in terms of business passengers but we have the first round of the World Cup already taking place in June. So what are your expectations for the impact of the World Cup on, especially on the second-quarter results?

Andres Osorio - *LATAM Airlines Group - CFO*

For sure the World Cup will be a main issue for us. Let me explain the answer in two.

One is long term. We are gaining a plane industry instead of airport or the effects, too, and also would have better place to have connections and provide better service to our clients. Some people will stay forever.

Your question about the second quarter, the short term, we are focusing also very much on the service level and to care about the client during the World Cup. On the financial side I will say that we are working very hard to neutralize the results and expecting a flat result very similar from previous years.

Eduardo Couto - *Morgan Stanley - Analyst*

Okay. Thank you very much.

Operator

Stephen Trent, Citi.

Stephen Trent - *Citigroup - Analyst*

Two or three questions for me. The first is in Brazil there is the potential for the Dilma administration to launch a regional aviation plan. Just curious how you guys are thinking about that with respect to whether that could move the needle on your capacity plans in that market and whether you might see a need or desire to make adjustments on sub-150 seat fleet.

Andres Osorio - *LATAM Airlines Group - CFO*

We have been following this issue avidly. We are having discussions with Brazil and with the government and so far we haven't received any structural and final proposal.

What I could say that we always are valuing new projects in cargo, and passenger, international connections and we are now operationally on the same group of projects. So we are analyzing future options but we don't have any concrete to answer above that.

Stephen Trent - Citigroup - Analyst

Okay, fair enough. And also two other quick questions also on Brazil. Do you see any potential headwind on your local operations in the event that Brazil does have to undertake energy rationing?

Andres Osorio - LATAM Airlines Group - CFO

No. The answer is no.

Stephen Trent - Citigroup - Analyst

Perfect. Perfect. And finally, in terms of long-term synergy targets for the LAN TAM merger, I'm guessing no change at this time?

Gisela Escobar - LATAM Airlines Group - Corporate Controller & Investor Relations Officer

No. We have met so far the targets that we had for the synergies. We completed this year with approximately \$300 million of synergies of basically at the EBIT level that were related to the synergy initiatives that we have been tracking and that puts us very well on track to achieve the target that we had for June 2016 to reach the run rate of \$600 million to \$700 million.

Stephen Trent - Citigroup - Analyst

Okay. I'll leave it at that. Thanks, Gisela.

Operator

Greg Lum, Goldman Sachs.

Greg Lum - Goldman Sachs - Analyst

I just had two quick questions. The first is I was wondering if you could give us a little bit of background for your strategy for sale-leaseback for 2014?

Roberto Alvo - LATAM Airlines Group - CCO

Yes. All the wide-body aircraft we are financing with ECA or agency-guaranteed. We've done seven leasebacks related to the 320 aircraft.

We are also financing and owning the 321. And we just concluded a 777 synergy for corporation in line with our plan of phasing out the 777 in the latter part of the decade, which will be replaced by 350s as they are being delivered by years. And we have no other operations other than those expected including this.



Greg Lum - *Goldman Sachs - Analyst*

Thanks. That's helpful. And I was just wondering if we could drill a little bit further into your capacity plans on the Latin American site. I was wondering if you could maybe tell us what your capacity plans are for Argentina and Venezuela specifically?

Unidentified Company Representative

In the case of Venezuela we are currently holding the same capacity we currently have published. We don't have immediate plan for assimilation and the same applies for Argentina.

Greg Lum - *Goldman Sachs - Analyst*

Thank you.

Operator

Luke Bujarski, PhoCusWright.

Luke Bujarski - *PhoCusWright - Analyst*

I was hoping that you could provide us with a little bit of insight on your online distribution strategy particularly its impact your direct channels for LATAM Airlines and what your growth prospects are for direct online bookings.

Francisco Recabarren - *LATAM Airlines Group - Head, Domestic Brazil Passenger Operations*

We are starting to take advantage of the joint merger of LAN and TAM in terms of strengthening our online site. We have at the moment mainly focused on being able to offer both compensation each other sites but in the next future we plan to take that into the next level by overhauling and building a single site with all the features. That's the status on that front at the moment.

Luke Bujarski - *PhoCusWright - Analyst*

Right. Could you elaborate a little bit about just overall distribution in terms of your passenger revenues as the share of your online channel. Approximately what percentage of your bookings come from your website versus off-line and OTA channels?

Francisco Recabarren - *LATAM Airlines Group - Head, Domestic Brazil Passenger Operations*

We track that very carefully and those numbers have been growing steadily over the last few years but we don't publicly disclose those figures.

Operator

Bob McAdoo, Imperial Capital.

Bob McAdoo - *Imperial Capital - Analyst*

On in the Spanish-speaking side of the network, where are the countries where you are growing your capacity? And in the second question is, could you give us some more color on your disclosure about commission charges.

It's a little confusing to me because you say some part is up 38% and then there is the down 18%, and the up 14%. It's unclear what really happened with commissions.

Could you give us some more color on that please? Thank you.

Gisela Escobar - LATAM Airlines Group - Corporate Controller & Investor Relations Officer

Yes, sure. On the Spanish-speaking operations the growth, basically the largest of our Spanish-speaking countries are Chile and Peru. And we are growing in both of those markets as well as in Columbia.

So the growth that you see for 2014 is coming for the most part from those three markets. Ecuador, Argentina are for the moment not significant growth plans for this year.

Regarding the commissions we have what you see in the commissions cost is basically the comparison is a little bit dirty because we have in the fourth quarter of 2012 an \$18 million one-time lower cost as a result of the basically the adjustment of certain TAM commissions that had been accounted for, basically had been accounted for double in previous quarters. So that generates a one-time charge that makes that line increase significantly.

If you take out those \$18 million one time that we saw in the fourth quarter of 2012 the actual increase is 14% and that 14% is mainly related to increased sales efforts in the Brazilian market. And especially on the international side, not the domestic.

Bob McAdoo - Imperial Capital - Analyst

Very good, thank you. That's very helpful. Appreciate it.

Operator

Ricardo Fernandez.

Ricardo Fernandez - ING Financial Markets - Analyst

Couple questions. First is have you experienced any decrease, or what is the demand outlook with the FX volatility we have seen in Chile and other markets in terms of passengers? And how have you reacted in terms of yields if there has been any reduction demand?

Roberto Alvo - LATAM Airlines Group - CCO

We have not experienced demand reductions in any of our large point of sales particularly in Chile.

Ricardo Fernandez - ING Financial Markets - Analyst

So everything continues to be priced more or less in dollars and customers are demanding -- just simply paying higher?

Andres Osorio - LATAM Airlines Group - CFO

Either that tactical advantage to react to the specific market conditions, no major changes on that at least in the international business.



Ricardo Fernandez - *ING Financial Markets - Analyst*

Okay. And then more specifically Chile, they recently waived the Visa requirements to go to the US starting at the beginning of April. Do you envision any substantial increase in demand for that, or are you taking any action for any potential increase in demand?

Andres Osorio - *LATAM Airlines Group - CFO*

Yes, actually if you track what has happened with other markets when this change took effect we expect an increase of passengers to the US. We are taking commercial action to take that into consideration.

Ricardo Fernandez - *ING Financial Markets - Analyst*

But it doesn't change your guidance for full year at all?

Andres Osorio - *LATAM Airlines Group - CFO*

No.

Ricardo Fernandez - *ING Financial Markets - Analyst*

Okay. And then the last question, any update on integrating LANPASS with Multiplus in, or vice versa? Or strategy for the two separate mileage programs?

Roberto Alvo - *LATAM Airlines Group - CCO*

The first step of our strategy was basically to harmonize the most important features of both frequent flyer programs. We undertook that, we did that early last year.

We are now embarking a second step of harmonization of these programs mainly in the softer benefits that we give to passengers paying upgrades and people lounge access, etc. At this moment we are not planning to do any integration of the Multiplus business with the LANPASS business in the way that Multiplus is organized. So our focus has been in harmonizing the frequent flyer programs for both LAN and TAM and Multiplus stays with the business they have for the short term.

Ricardo Fernandez - *ING Financial Markets - Analyst*

I see. Okay, thank you very much.

Operator

At this time I'm showing we have no further questions in queue. I would like to turn it back to management for any closing remarks.

Gisela Escobar - *LATAM Airlines Group - Corporate Controller & Investor Relations Officer*

Great. Well, thank you, everyone. Thanks very much for participating today and we are of course available if you have any follow-up questions later on.



Operator

And ladies and gentlemen, thank you again for joining us today. Please feel free to contact our investor relations department if you have any additional questions. We look forward to speaking with you again.

This does conclude today's conference. We thank you for your participation.

You may now disconnect. Have a great day.

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