



— LATAM AIRLINES GROUP —

**SUSTAINABILITY
REPORT
2014**

ABRIDGED VERSION

LATAM Airlines Group

LATAM Airlines Group is Latin America’s largest airline group, with 53,072 employees and a fleet of 327 aircraft, which is one of the largest in the world, considering its network of destinations. The Group offers passenger transportation to 135 cities in 24 countries, and freight transport to 144 locations in 26 countries. It makes some 1,500 daily flights, transporting 67 million passengers annually. It is a member of the **oneworld** alliance, and its shares are traded on the stock exchanges of Santiago, New York and São Paulo. In 2014, LATAM Airlines Group became the first company in Latin America’s airline industry to become a member of the Dow Jones Sustainability Index.

Materiality

This publication reports on company actions in the economic, social and environmental spheres, and is based on nine issues considered of paramount importance by the stakeholders of LATAM Airlines Group. To define them, in 2013, the company listened to its key stakeholders in Chile and Brazil. Executives, employees, clients, suppliers, market analysts and aviation industry specialists were consulted in one-on-one interviews, meetings and panels. This process gave rise to the LATAM Materiality Matrix.

The full version of the LATAM Sustainability Report took into consideration the guidelines of the Global Reporting Initiative (GRI), and can be accessed at: www.latamairlinesgroup.net

Management with Ecoefficiency

FUEL EFFICIENCY:

LATAM Airlines Group registered a 1.2% efficiency increase in its consumption of gallons of aviation kerosene per ton-kilometer flown. Contributed to this result the efficiency fuel programs Fuel - Fuel Lean (LAN) and Smart Fuel (TAM) – that combine technology and process improvements, allowing for reductions in CO₂ emissions.



A YOUNG FLEET:

The Group’s business model is based on keeping the fleet young, with an average aircraft age of seven years, allowing it to operate with higher engine performance, and also contributing to air quality and reduced noise levels. In 2014, 19 new aircraft were added to the fleet. In 2015, the company will be receiving an additional 28 units.




WASTE:

LATAM Airlines Group works with the aim of recovering the largest possible amount of waste and ensuring its proper final disposal. Hazardous wastes are disposed of in accordance with legal requirements to receive the recommended treatment. In 2014, 1,250 tons of waste were sent for recycling.



Climate Change


**more than
100,000
tons of
greenhouse
gases offset**

OFFSETTING GREENHOUSE GAS EMISSIONS:

LATAM Airlines Group in Brazil offset 100,000 tons of greenhouse gases emitted by flights to the 12 host-cities during the FIFA World Cup. Perú has been offsetting its carbon footprint since 2011 in alliance with Bosques Amazónicos. Colombia offset its ground emissions for the first time by acquiring credits from the Choco-Darién Carbon Project.


**reduction of
more than
298,184
tons of
CO₂ emissions**

EMISSIONS:

Most of the company's greenhouse gas emissions come from burning fuels, which is why efficiency is a key issue in the Group's environmental performance. Fuel consumption also accounts for its main operating expenses. With the efficiency programs, Lean Fuel (LAN) and Smart Fuel (TAM) alone, not counting other measures, the company accomplished a reduction of 298,184 tons of CO₂ emissions.


**2012:
first flight
powered by
biofuel**

ALTERNATIVE ENERGY SOURCES:

In 2012, in Chile, LATAM Airlines Group made the first commercial flight powered by biofuels in South America. In 2013, it was Colombia's turn. In recent years, the Group has also advanced in studies on alternative fuel technologies, such as Hydro Carbon to Direct Sugar (HCDS) and Alcohol to Jets (ATJ), in collaboration with local distributors.

Noise Reduction

NEW TECHNOLOGIES:

To reduce the noise generated by its operations, 100% of the Group's fleet is in compliance with Chapter 4 of the ICAO (International Civil Aviation Organization), the standard of the world airline industry on this matter.


**100%
compliance**

NEW FLEET:

The company is adding new Boeing 787 and Airbus A350 aircraft, which reduce noise by more than 50% compared to aircraft with similar characteristics.


**new models:
50%
noise reduction**

OPERATION:

LATAM Airlines Group has been implementing procedures to reduce operating noise, such as landing with a continuous descent approach, taxiing with just one engine, and reduction in the use of the APU (Auxiliary Power Unit).


**procedures
reduce
operating noise**



Connectivity and Customer Relations


US\$100 million
investment in
technology

THE TRAVEL EXPERIENCE:

To expand services to clients and improve the travel experience, the company has invested US\$ 100 million in technology projects. Among these initiatives there are mobile applications that allow passengers to administer their trip with their **smartphones**, a partnership with YouTube and a wireless entertainment system that lets passengers watch movies and TV series on their own personal devices (**smartphones, tablets** and **laptops**).


15%
growth
over 2013

FREQUENT FLYER PROGRAMS:

LATAM Airlines Group offers LANPASS, with 9,8 million customers in Chile, Peru, Argentina, Colombia, Ecuador and the United States, which in 2014 registered 15% growth over the year before; and TAM Fidelity, with 11,7 million members and an 8% increase over 2013. In 2014, 800,000 premiums were redeemed on LANPASS and 2.4 million on TAM Fidelity.




Health and Safety

Five factors guide the actions of LATAM Airlines Group in the mapping, prevention and management of risks, so as to guarantee the health and safety of people and equipment at all stages of the operation. They are: safety, security, Personnel, Emergencies and Audits. For two years in a row no fatalities were registered in operations, thanks to health and safety protocols and practices.

INJURY RATE:

20% drop in relation to 2013 – from 3.02% to 2.40%.


20%
drop compared
to 2013

Attraction and Retention of Talent

MULTICULTURAL:

53,072 of its own employees in 26 countries.

more than
53,000
employees

TRAINING:

306,633.98 hours of **e-learning** and 1,603,733.4 hours of in-person training, for a total of 1,910,367.38 hours of training.

more than
1,9 million
hours

PERFORMANCE EVALUATION:

74% of all staff evaluated during the year, a significant increase compared to 33% in 2013. The goal is to achieve 90% coverage in 2015.

74%
of staff have
performance
evaluations

ABRIDGED VERSION

Corporate citizenship

LATAM Airlines Group upholds the principle of continuously creating value in the various regions and locations where it is present, and where it collaborates to promote sustainable development together with local stakeholders. The company implements projects in communities through direct investments, issuance of plane tickets and partnerships. These actions focus on local needs and are related to a variety of subjects a variety of subjects, such as sustainable tourism, transportation for humanitarian aid in catastrophe situations, shipping of human organs for transplants, financial support for institutions with high-impact social and environmental projects, among other things.



participation by
2,600
students and
volunteers

CARING FOR MY DESTINATION (CUIDO MI DESTINO):

Main project of LATAM Airlines Group, focus on sustainable tourism, was held in 14 cities, five Latin American countries in 2014, since its constitution was attended by about 2,600 students and volunteers.

CONTRIBUTION TO TOURISM IN THE REGION

LATAM Airlines Group contributed US\$ 4,6 million to the region's tourism sector in 2014. This is due to the 4,7 million foreign passengers transported to key destinations in South America during the year, 15% more than in 2013. This result takes into account tourists' preferences in airports, hotels, food, transfers, excursions and purchases.



US\$ 4,6
million
contribution to the
tourism industry

PARTNERSHIPS WITH NGOS:

The Group issued 3,347 tickets to 23 social and environmental institutions, increasing by 4.1% the number of tickets donated as compared to 2013. These tickets make possible actions in high-impact projects for social and environmental transformationl.



3,347
free tickets
were issued

SOME OF THE ORGANIZATIONS SUPPORTED:

Make-A-Wish Brasil, Um Teto para Meu País, Amigos do Bem, América Solidária, Brazil Foundation, Coaniquem, Ajuda Maria, Corporação da Esperança, World Childhood Foundation Brasil and the United Nations' Children Fund (UNICEF), among others all over Latin America.



support
in all
Latin America

Government and regulatory issues

The Group has staff assigned to maintaining dialogue with governmental agencies and departments – Public Affairs, Institutional Relations and Corporate Affairs. Liaison with government authorities seeks to enable the company to grow in accordance with the law in the countries where it operates and with governmental plans for the industry.



CODE OF CONDUCT:

Published at the end of 2014, the Code addresses ethical questions in the conduct and development of LATAM Airlines Group's business activities. The guidelines of this document provide consistent instructions for all markets where the Group operates, in compliance with the legal provisions of each jurisdiction, and for relations with all company stakeholders.

Financial Results

OPERATING PROFIT:

US\$ 513,4 million,
a result 20.3% lower than 2013. This shrinkage can be attributed to the deceleration of the region's economies and the strong depreciation of local currencies, the specific situations in Venezuela and Argentina, the heavy falloff in freight markets and increased competition among operators in South America.

OPERATING MARGIN:

LATAM Airlines Group achieved **4.1%**, representing a 0.7 percentage point decline in relation to the previous year.

NET REVENUES:

US\$ 12,471 billion, due to a 6.2% reduction in revenues from passenger air travel, and an 8.0% drop in air freight, partially offset by a 10.6% increase in other revenues. These results include a 9.1% negative impact of depreciation of the Real in 2014.

OPERATING COSTS:

5.3% drop compared to 2013. This result was achieved due to the reduction in costs for fuels and salaries, as well as the positive impact of depreciation of the Real and Chilean Peso on costs incurred in those currencies.



DOW JONES SUSTAINABILITY INDEX:

LATAM Airlines Group has become the first airline in Latin America to join the Dow Jones Sustainability Index World, chosen from among a select group of business leaders in sustainability, for its economic performance, social responsibility and environmental management focusing on the long-term. With its entry to this index, the Group has become one of two companies in the world aeronautical industry to be currently listed on DJSI World. The company is not only recognized for its economic performance, growth capacity and efficiency, but also for maximizing its investment in sustainable development. In this light, being a member of this index is evidence of the company's consolidating responsible actions over a number of years.



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