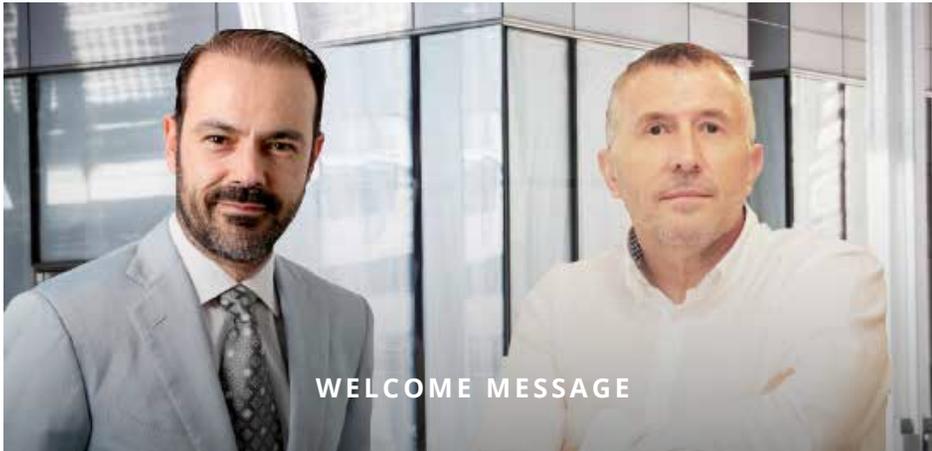


ANNUAL REPORT 2014



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Message from the Chairman of the Board

For LATAM Airlines Group, 2014 was a year of renovation during which we took important steps towards achieving our mission of becoming one of the world's three most important airline groups in the world.

DEAR SHAREHOLDERS,

For LATAM Airlines Group, 2014 was a year of renovation during which we took important steps towards achieving our mission of becoming one of the world's three most important airline groups in the world. Despite macroeconomic and other external factors that had an adverse effect on our business, LATAM Airlines Group made progress on numerous fronts of its renovation plan, including fleet renewal, the continuous improvement of our product and the renovation of the airport infrastructure we use for our operations.

Our achievements during the year reinforce our belief that the decision which LAN and TAM took over two years ago to combine their businesses was the right one. Getting where we are today has certainly been difficult but, if we were to go back in time, we would do it all again. We continue to make progress towards the objectives we established for the association. Although aware that the challenge we have set ourselves will require further efforts in the years to come, we have confidence in the sound foundations we have laid down.

In 2014, the company moved forward with its fleet renewal plan to reduce the number of models it operates, gradually taking less efficient models out of service and allocating aircraft according to which are most appropriate for each of its markets. The fleet renewal plan forms part of our long-term strategy which we believe is essential in order to achieve a cost-efficient operation and enhance the competitiveness of our airlines in the long term. In line with this, ten modern latest-technology Boeing 787 Dreamliners were incorporated into LAN's fleet while, in TAM's long-haul fleet, Airbus A330s were replaced with Boeing 767s, which will allow it to make important savings on fuel as well as offering a better product to passengers.

As regards the renewal and continuous improvement of our product, TAM also began to remodel the cabins of its Boeing 777s, eliminating first class and reconfiguring business class in order to significantly improve passengers' travel experience. TAM also joined oneworld which became the global alliance of LATAM Airlines Group. For our customers, this will mean more comfortable travel, increased connectivity and greater opportunities to redeem their points/miles. Another important



Message from the Chairman of the Board

milestone was the opening of our new VIP lounges in Sao Paulo and Santiago in October 2014 and March 2015, respectively. This took the number of new lounges we have opened in the past 18 months to four, including Bogotá and Buenos Aires.

The significant investments that Brazil made in infrastructure and, particularly, airports prior to the Football World Cup have had a positive long-term impact for that country's airline industry. Thanks to these investments, we were able to move our operations to Terminal 3 at the Guarulhos Airport and Terminal 2 at the Brasilia Airport. These very important milestones will enable us to continue developing connectivity through our hubs, reducing connection times and offering our passengers greater comfort.

Finally, I would like to point out that LAN and TAM were once again recognized by their passengers, taking first and second place, respectively, in the Best South American Airlines prize in the Skytrax World Airline Awards. This prize is regarded as a global barometer of customer satisfaction since it is awarded exclusively on the basis of passengers' opinions.

Having achieved important and tangible progress on numerous fronts during such a challenging year allows us to look to the future with great confidence since we have systematically overcome obstacles and taken important steps towards our companies' integration, fulfilling our goal of not only becoming one of the world's leading airlines but also a company to which our employees are happy to belong.

Mauricio Amaro
Chairman of the Board
LATAM Airlines Group

Message from the Ceo Latam Airlines Group

Although the integration of LAN and TAM has taken time, we are convinced that the association of these two companies has meant gains for all of us - LAN, TAM and LATAM Airlines Group

DEAR SHAREHOLDERS,

The consolidation of LATAM Airlines Group as Latin America's best airline group has been our paramount focus in recent years and, to this end, we have worked consistently and with discipline. Along the way, we have achieved great progress and, although results have been slower in coming than we anticipated, we also know that, looking to the long term, the association between LAN and TAM is the most strategic decision we have made. We also firmly believe that LATAM Airlines Group is the group of airlines best prepared to address adverse scenarios because we have a position in the region that is unique in the world.

All this is the fruit of many years of work and shows us that we are on the right road to achieve our objective of positioning LATAM Airlines Group as one of the world's three most important airline groups by 2018. In order to achieve this goal, we have designed a strategic plan based on critical factors for success that seek to take advantage of our strengths and our great potential.

Our strategy focuses primarily on constantly enhancing our customers' experience during

all stages of their journey, seeking always to differentiate ourselves as regards service. In this context, we have approved investments for over US\$100 million to boost the use of technology in all our passenger contact points. Our aim is for passengers to be able to manage their travel in a simple, transparent and totally independent manner. Similarly, we are working to migrate to a new single brand as well as to develop a unified culture, product and value proposition, all of which will enable LATAM Airlines Group to be fully perceived as a single airline company.

We believe that, in order to achieve these objectives, the most important element that sets us apart is our people. We have the best human team, a team of people who are passionate about their work and focused on the construction of a common culture, which is the basis of all we do and to which safety, the customer, collaboration as a team and excellence in every sphere are central. This is the way in which we have harnessed our organization to the goal of offering our customers distinctive value, consistently surpassing our competitors.

As an organization, we have always worked to be the best option for any one traveling



Message from the Ceo Latam Airlines Group

within, to or from South America, constantly striving to expand our connectivity and strengthen our network. There is no other airline group in the world that is present in seven domestic markets in a single continent as is the case of LATAM Airlines Group which, in addition, has regional, international and cargo operations. In order to take advantage of this potential, we have set ourselves the goal of increasing connectivity within South America and strengthening our hubs in the region, particularly Sao Paulo's Guarulhos Airport - the principal gate of entry into South America - as well as Brasilia and Lima.

We have, in addition, redefined our cost structure in a bid to increase our competitiveness and simplify the organization, increasing the flexibility and speed with which we are able to take decisions. The aim is to achieve a reduction of some US\$800 million in total costs by 2018 or, in other words, approximately 5% of LATAM Airlines Group's annual expenditure, a saving that is in addition to the efficiency gains achieved through the incorporation of new-technology aircraft. In brief, we aim to work in a simpler manner with a culture of greater austerity.

We are aware that, in our region, the coming years will be complex and challenging, due to slower growth of its economies and important depreciations of its currencies. We are, however, convinced that the strategic plan we have drawn up and are implementing will allow us to successfully achieve our long-term goals, overcoming the difficulties that currently affect our markets and the volatility inherent to the context in which we operate. We know that we cannot be oblivious to the realities of our industry and the region in which we operate. We have, therefore, given priority to proactive risk management, taking into account all our stakeholders, in line with our belief that a broad and integral view of risk and its proper management are key for our long-term success.

Although the integration of LAN and TAM has taken time, we are convinced that the association of these two companies has meant gains for all of us - LAN, TAM and LATAM Airlines Group. As well as thanking our shareholders for the trust they have placed in this administration, I would, therefore, also particularly like to pay tribute to the more than 53,000 people who work in the different

countries where we operate. They have given the best of themselves in contributing to the consolidation of this historic project for Latin America's airline industry. And, above all, I would like to invite them to continue working with the same passion and commitment to make LATAM Airlines Group one of the world's three most important airline groups.

Enrique Cueto
CEO
LATAM Airlines Group

Business Strategy

LATAM Airlines Group S.A. (from now on "LATAM Airlines Group" or "LATAM") is a South American airline group that is the result of the association between Chile's LAN Airlines and Brazil's TAM. It has business units in seven countries in the region: Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay and Peru.

LATAM Airlines Group S.A. (from now on "LATAM Airlines Group" or "LATAM") is a South American airline group that is the result of the association between Chile's LAN Airlines and Brazil's TAM. It has business units in seven countries in the region: Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay and Peru.

Two years after the association and following an important restructuring and consolidation process, LATAM Airlines Group is now an integrated airline that has fully implemented all its initiatives to capture synergies and has a consolidated position as Latin America's largest air transport company, with capacity to carry over 67 million passengers and more than 1 million tons of cargo annually.

One of LATAM's key strengths of the group airlines that make up LATAM Airlines Group is the large network of destinations it has developed, thanks to its unique position of leadership in South America. This is the result of its presence in seven of the region's domestic markets, which together account for over 90% of regional traffic, where LATAM has the competitive advantage of acting as a local operator. Intra-regionally, LATAM has a market share of close to 50%, implying that one in two



people who travel within South America do so with the group airlines that make up LATAM Airlines Group. It is also important to note that, in recent years, South America has been one of the world's fastest-growing regions as regards passenger traffic, a situation that is expected to persist over the next two decades, representing a great opportunity for LATAM.

Outside South America, LATAM and its related companies fly to the main points of entry to

other regions and also provides additional connectivity through its membership of the oneworld global alliance (which TAM also joined in March 2014) as well as its numerous commercial agreements with the industry's main airlines.

With its focus on providing the best connectivity, LATAM has established a key position in the principal hubs that connect the region with the rest of the world, with special

Business Strategy



emphasis on Sao Paulo's Guarulhos airport. In late 2014, LATAM took a further important step in this direction when it transferred its international operations to the new Terminal 3 at Guarulhos, enabling it to reduce connection times significantly.

In addition to its network, another differentiating characteristic of LATAM Airlines Group is a business model which successfully combines the transport of passengers and cargo, a strategy that enables it to maximize load factors on passenger planes through use of their bellies to transport cargo, complementing the use of freighters and diversifying its sources of income. The flexibility afforded by this business model allows LATAM to increase returns on its routes, reduce the impact of seasonal factors and increase load factors. As of December 2014, 83% of its revenues were contributed by its passenger business and 14% by its cargo operation among other activities.

For its operations, LATAM Airlines Group has a fleet of 327 aircraft (as of December 2014) with an average age of less than 7 years that stands out as one of the most modern and youngest in the world. Its growth strategy

envisages constant fleet renewal in order to operate with more efficient aircraft, with lesser environmental impact, and to offer passengers the highest standards of punctuality, reliability and safety. In this context, LATAM Airlines Group continued with its fleet restructuring process in 2014, gradually phasing out older aircraft and focusing on having only those with the best technology offered by the industry, including Boeing B787 Dreamliners and Airbus A321s.

Looking into the future, LATAM drew up a new four-year (2015-2018) strategic plan in 2014,

with three key pillars for its success. The first of these seeks to strengthen product and service differentiation in order to offer passengers the best travel experience and, in this way, be the preferred airline for the region's customers. In addition, in a bid to be passengers' best option, it will continue to develop its network of flights and connections in South America, building the most important network of places of origin and destination within the region and, through its hubs, between it and the rest of the world.

In the third pillar it has defined, the Company will, in addition, seek to be much more cost competitive, applying a culture of austerity, aligned with the reality of the industry, through which it aims to reduce its operating costs by US\$650 million by 2018.

Through this plan, LATAM will be seeking to become one of the world's three largest airline groups and the preferred airline of two-thirds of passengers flying within South America.

History



1975

Foundation of TAM- Transportes Aéreos Regionais by Capitan Rolim Adolfo Amaro.

1976

Launch of TAM services in Brazilian cities, especially Mato Grosso and São Paulo.

1983

Constitution of Linea Aerea Nacional - Chile Limitada, through CORFO.

1985

LAN becomes a joint stock company.

1986

Acquisition by TAM of VOTEC-Brasil Central Linhas Aéreas, another regional airline operating in the north and center of the country.

1989

Start of privatization of LAN: the Chilean government sells a 51% stake to local investors and Scandinavian Airlines System (SAS).



History

1990

Brasil Central renamed TAM-Transportes Aéreos Meridonais.



1993

Launch by TAM of TAM Fidelidade, Brazil's first frequent flyer program.

1994

Privatization of LAN completed with the acquisition of a 98.7% stake by its current controllers and other shareholders.

1996

Acquisition by TAM of Lapsa airline from the Paraguayan government and creation of TAM Mercosur; start of São Paulo-Asunción flights.



1997

Acquisition by TAM of Lapsa airline from the Paraguayan government and creation of TAM Mercosur; start of São Paulo-Asunción flights.

1998

Arrival of first A330; first TAM international flight from São Paulo to Miami.



History

1999

LAN's expansion begins: start of operations of LAN Perú.

Start of TAM services to Europe through a code sharing agreement with Air France to Paris Charles de Gaulle.



2000

LAN joins the oneworld® alliance.



2001

LAN Alliance with Iberia and inauguration of Miami cargo terminal / Creation of TAM Technology Center and Service Academy in São Paulo.

Creation of TAM Technology Center and Service Academy in São Paulo.

2002

LAN Alliance with Qantas and Lufthansa Cargo



2003

LAN continues its expansion plan: start of operations of LAN Ecuador.



2004

Launch of new corporate image as LAN Airlines S.A.

Start of TAM flights to Santiago.



History

2005

Further step in LAN's regional expansion plan: start of operations of LAN Argentina.

TAM S.A. lists on the BOVESPA stock market; start of flights to New York and Buenos Aires.

2006

Launch of new LAN Premium Business Class.

TAM S.A. lists on the NYSE / Start of flights to London and, through agreement with Air France, to Zurich and Geneva.

2007

Implementation of low-cost model in domestic markets; capital increase of US\$320 million; purchase orders for 32 Boeing 787 Dreamliners.

Start of TAM flights to Milan and Córdoba; authorization from Brazil's National Civil Aviation Agency (ANAC) to start flights to Madrid and Frankfurt.



2008

Completion of renewal of LAN's short-haul fleet with aircraft from the Airbus A320 family.

TAM receives its first Boeing 777-300ER.

2009

Start of cargo operations in Colombia and domestic passenger operations in Ecuador.

Launch of Multiplus Fidelidade;

Acquisition of Pantanal Linhas Aéreas

History



2010

Acquisition of Colombia's Aires airline.

TAM officially joins Star Alliance.



2011

LAN and TAM sign binding agreements related to the business combination of the two airlines.

2012

LATAM Airlines Group is born as a result of the business combination between LAN and TAM.

2013

Capital increase for US\$ 940.5 million

2014

TAM joins oneworld alliance, which becomes LATAM Airlines Group global alliance.

LATAM launches its 2015-2018 Strategic Plan aiming to become one of the 3 most important airline groups in the world.



Fleet

In 2014, LATAM Airlines Group's member airlines operated a fleet comprised by 327 aircraft with an average age of 6.9 years, being one of the youngest in the industry.

During the year, further progress was achieved on the fleet restructuring plan launched in 2013 to reduce the number of aircraft models operated. This plan, which is the result of a profound analysis of the LATAM's fleet needs after the association between LAN Airlines and TAM and the structural changes that have occurred in the competitive environment, implies that, over the next few years, 39 less efficient planes will be phased out of the fleet and aircraft models will be allocated to the most appropriate markets.

In 2014, LATAM phased out all of its Dash Q400s and Boeing 737s (inherited from the Aires airline in Colombia) as well as seven A330s and three A340s and expects to conclude the phase out of these older models by 2016. As a result, its fleet will comprise the most efficient aircraft available in the market.

In the first quarter of the year, LATAM recognized a provision of US\$112 million for estimated penalties related to the anticipated redeliveries and other redelivery expenses expected to be incurred as a result of this fleet restructuring process.

For its short-haul passenger operations - flights on domestic routes and regional routes within South America - the airlines that make up LATAM Airlines Group utilized a fleet of 238 aircraft in 2014,

mainly from the Airbus A320 family, positioning it as one of the world's three largest operators of Airbus planes in the world. In 2014, LATAM incorporated 11 Airbus A321s, the largest model in this family, which is used on the busiest regional routes. This left LATAM with a total of 21 aircraft of this model as of December 2014.

LATAM's medium-term plan on short haul routes is to have a fleet formed exclusively by aircraft from the A320 family, with a focus on A321s and A320neos, whose use represents significant savings in comparison to A320s. The A320neo is a new option within the A320 family with a more efficient engine and new sharklets implying savings of up to 15% on fuel and a reduction in annual CO2 emissions of 3,600 tons. LATAM has placed orders for 36 A320neos which will be delivered between 2016 and 2018.

For its long-haul passenger operations, the airlines that make up LATAM Airlines Group utilized a fleet of 74 aircraft in 2014, including ten Boeing 787-8 Dreamliners, five of which were incorporated during the year, as part of an order for a total of 32 aircraft of this model for delivery over the next four years. Considered "ecological" and the most efficient of its type, this model is now operated by the Company on almost all its main long-haul routes. In addition to the Company's daily operations from Santiago to Madrid-Frankfurt, New York and Buenos Aires, the Dreamliner began to be utilized on five other routes starting in August: Miami, Punta Cana, Cancun, Mexico City and Sao Paulo. LATAM Airlines Group is the first group of airlines in the region to operate this aircraft model which stands out for characteristics that include its unrivalled performance in regard to fuel consumption, presenting a 12% reduction in costs per ASK as compared to the Boeing 767.

In 2014, LATAM also began retrofitting TAM's Boeing 777s in order to include an improved business class and offer a better product on long-haul routes, mainly to the United States. As of December 2014, four of these aircraft had been already retrofitted and full retrofit of this

Fleet



fleet is expected to be completed by mid-2015. This process seeks to enhance passengers' travel experience for the next years, while TAM waits to receive a larger critical mass of Airbus A350s. The incorporation of this aircraft model will imply a very important increase in efficiency as compared to existing aircraft in this category, thanks to operating costs that are around 25% lower than those of other aircraft, such as TAM's Airbus A330s, and a significant reduction in CO2 emissions. In 2015, LATAM Airlines Group expects to take delivery of the first Airbus A350 aircraft out of a total order of 27 A350s, which will be a milestone in the step towards a new generation of long-haul aircraft in TAM's fleet.

Overall, the LATAM's constant renewal of its fleet seeks to incorporate the best technology and position it as a leader on efficiency and an increase in capacity through the incorporation of larger models.

As of December 2014, LATAM had a fleet of 15 full dedicated cargo, comprising eleven Boeing 767Fs - two of which have been leased to a cargo operator outside the region since the last quarter of 2014 and one of which was also leased to the same operator in 2015 - and

four Boeing 777Fs, the most modern freighters of their type in the industry. The latter have a significant advantage as compared to the B767 freighters since they may transport double capacity but only consume 50% extra fuel.

LATAM's cargo business strategy aims to optimize the use of the bellies of its passenger aircraft and, as a result, implies a gradual reduction in its freighter fleet.

LATAM's global fleet plan envisages commitments for US\$1,689 million in 2015 and US\$2,343 million in 2016. These will be financed using a combination of financial lease and sale and leaseback (acquisition with subsequent rental).

MAINTENANCE

In 2014, LATAM Airlines Group continued to consolidate the integration of LAN's and TAM's Maintenance, Repair and Overhaul (MRO) installations, a process that began in 2013.

With facilities in Brazil and Chile, the MRO is the unit responsible for heavy maintenance of the LATAM's aircraft and occasionally also provides services to third parties. In Brazil, the facility, located in the São Carlos (SP/Brazil) Technological Center, has an area of 100,000 m² and its own 1,720-meter runway while the Chilean facility, at Santiago's International Airport, has an area of 10,000 m². Services not provided by this unit are outsourced to some of MRO's partners around the world.

LATAM's MRO unit is audited and certified by major international aviation authorities from the United States, Europe, Brazil, Chile, Argentina, Ecuador, Paraguay and Canada as well as other countries for Heavy Maintenance and Components Repair and Overhaul for the Airbus A320 and A330 families, Boeing 767s and 787s, ATR-42/72s and Embraer E-Jet 170/190s. LATAM also has minor capabilities for the

Fleet

repair and overhaul of Airbus A340 and Boeing 777 components.

The facilities located in São Carlos also provide engineering services and have a complete technical training center for the development of LATAM MRO's capabilities as regards human skills.

In 2014, the MRO unit carried out 2.5 million man-hours of work (a 39% increase on 2013), serviced 274 aircraft for LATAM and third parties, provided approximately 60,000 components and performed 15 landing-gear overhauls. In addition, it carried out heavy maintenance for almost 100% of the Company's aircraft from the Airbus A320 and A330 families and covered 75% of its demand for General Component Repair and Overhaul. TAM's external maintenance and repair clients include Azul, Trip, Avianca, the Brazilian Air Force, Embraer, Goodrich and Hamilton Sundstrand.

It is important to note that, in 2011, LATAM embarked on a process of transformation of its MRO area in order to align it with international standards as regards cost, quality, reliability and time. In 2014, in the context of

this process, it completed a year without any type of accident at MRO Sao Paulo while MRO Santiago reduced its accident rate by 40%.

In June 2014, LATAM Airlines Group started construction of a modern new maintenance hangar at Miami's international airport. Representing an investment of over US\$15.7 million, this will have an area of 9,150 m² and will be its first such facility in the United States. Located in the airport's cargo area, it will provide maintenance services such as daily controls, A checks, engine changes and major repairs for both the passenger and cargo planes of LAN, TAM and the subsidiaries that operate to and from Miami. Changes of components will also take place at the facility since it will serve to store spares, components and aircraft engines to support maintenance services of this type.

Fleet

	Rented	Owned	Total
Passengers Aircraft			
Dash 8-200	5	2	7
Airbus A319-100	12	40	52
Airbus A320-200	63	95	158
Airbus A321-200	3	18	21
Airbus A330-200	5	8	13
Boeing 767-300	4	34	38
Airbus A340-300/500	-	3	3
Boeing 777-300 ER	6	4	10
Boeing 787-8	4	6	10
TOTAL	102	210	312

Cargo Fleet			
Boeing 777-200F	2	2	4
Boeing 767-300F	3	8*	11
TOTAL	5	10	15
TOTAL FLEET	107	220	327

(*Note: 2 of the B767-300F aircraft are being leased by a cargo operator outside the region strating in the fourth quarter of the year.

Fleet

FAMILY AIRBUS A320

A319-100

Length: 33,8 mts
Width: 34,1 mts
Seats: 144
Cruising Speed: 850 km/h
Maximun weigth at taken-off: 70.000 kg



A320-200

Length: 37,6 mts
Width: 34,1 mts
Seats: 168 – 174
Cruising Speed: 850 km/h
Maximun weigth at taken-off: 77.000 kg



A321-200

Length: 44,51 mts
Width: 34,1 mts
Seats: 220
Cruising Speed: 850 km/h
Maximun weigth at taken-off: 89.000 kg



FAMILY AIRBUS A340

A340-300

Length: 63,7 mts
Width: 60,3 mts
Seats: 260
Cruising Speed: 896 km/h
Maximun weight at take-off: 275.000 kg



A340-500

Length: 67,9 mts
Width: 63,45 mts
Seats: 267
Cruising Speed: 907 km/h
Maximun weight at take-off: 372.000 kg



Fleet

FAMILY BOEING

Boeing 767-300

Length: 54,2 mts
Width: 47,6 mts
Seats: 221 – 238 – 205
Cruising Speed: 869 km/h
Maximun weight: 184.611 kg



Boeing 777-300 ER

Longitud: 73,9 mts
Envergadura: 64,8 mts
Asientos: 362
Velocidad crucero: 896 km/h
Peso máximo de despegue: 347.800 kg



Boeing 787-8

Length: 56,69 mts
Width: 60,0 mts
Seats: 247
Cruising Speed: 913 km/h
Maximun weight: 227.930 kg



FAMILY DASH

Dash 8-200

Length: 22,25 mts
Width: 25,89 mts
Seats: 37
Cruising Speed: 500 km/h
Maximun weight: 16,470 kg



FAMILY BOEING FREIGHTER

Boeing Freighter 767

Length: 54,2 mts
Width: 47,6 mts
Load time: 438,1 m3
Cruising Speed: 896 km/h
Maximun weight at take off: 186,880 kg

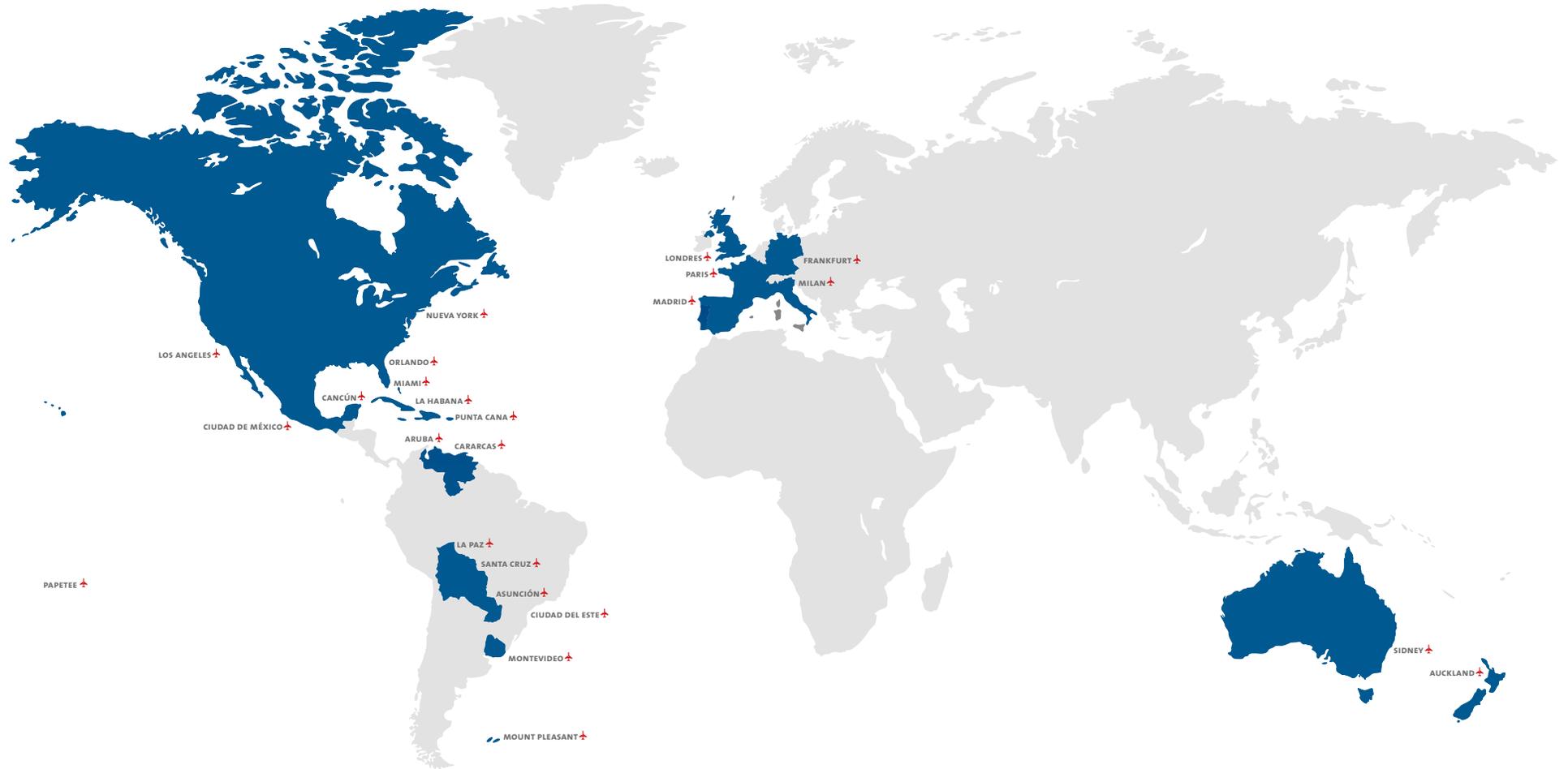


Boeing Freighter 777

Length: 63,7 mts
Width: 64,8 mts
Load time: 652,7
Cruising Speed: 896 km/h
Maximun weight: 347,450 kg



Destinations



24 INTERNATIONAL DESTINATIONS

Destinations



16 DOMESTICS DESTINATIONS CHILE

Destinations



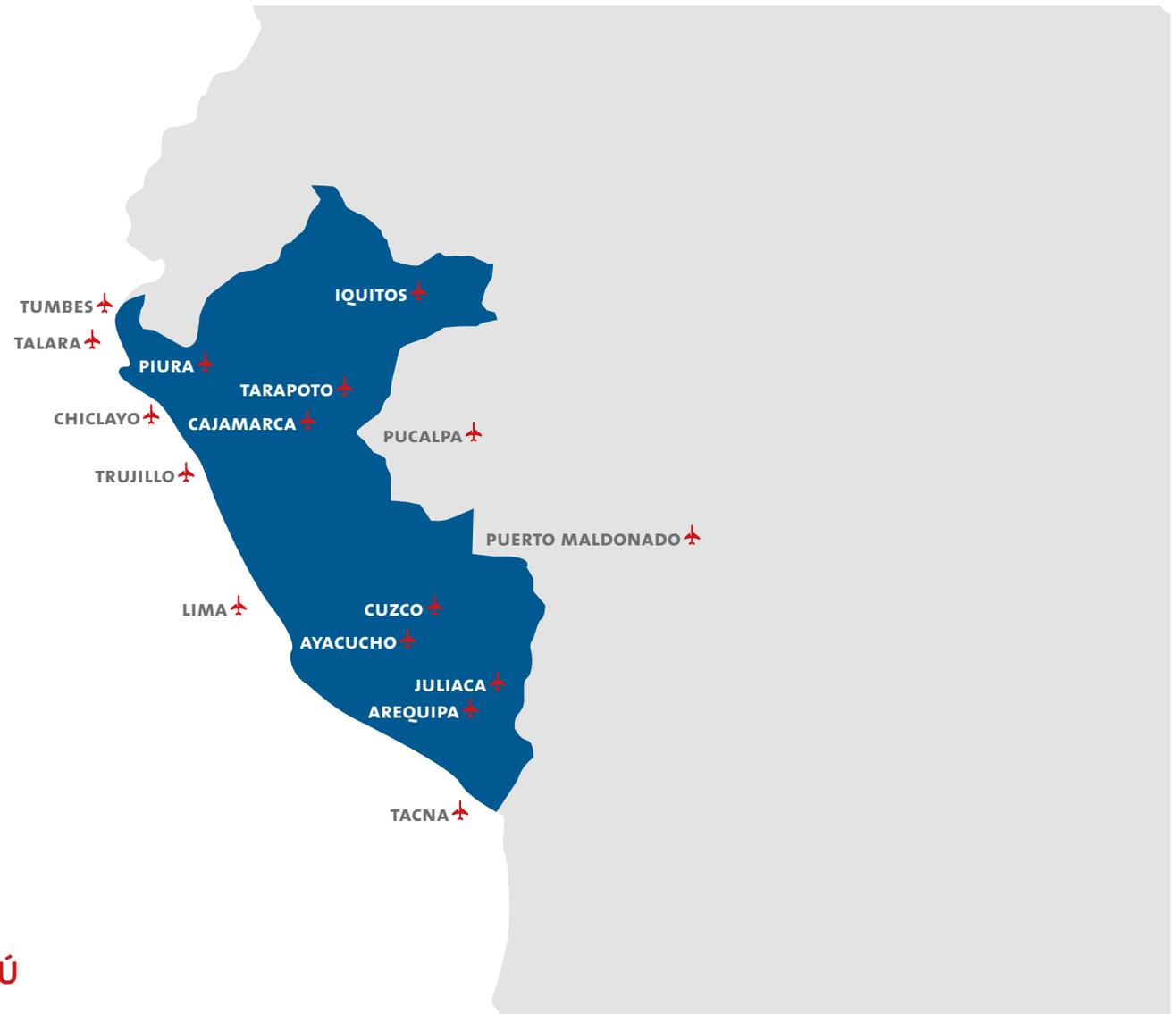
14 DOMESTICS DESTINATIONS ARGENTINA

Destinations



20 DOMESTICS DESTINATIONS **COLOMBIA**

Destinations



16 DOMESTICS DESTINATIONS PERÚ

Destinations



40 DOMESTICS DESTINATIONS **BRASIL**

Destinations

GALÁPAGOS SAN CRISTÓBAL 

QUITO 

GUAYAQUIL 

CUENCA 

05 DOMESTICS DESTINATIONS **ECUADOR**

Destinations



09 CARGO ONLY (INTERNATIONAL)

Destinations



85 CODESHARE

Our People



As of December 2014, LATAM Airlines Group had 53,072 employees of 61 different nationalities across 26 countries. It is, as a result, a multicultural as well as multinational company, giving it important advantages in terms of understanding its different markets and their people.

The multiculturalism that characterizes LATAM Airlines Group's human teams also implied important challenges for the association between LAN Airlines and TAM, a context in which the Human Resources area has played a decisive role over the past two years in terms of mitigating the impact that any organizational change has on people's lives.

In 2014, further progress was achieved in this field in standardizing policies and cultures so as to embed and consolidate a single LATAM Airlines Group corporate identity. In addition, LATAM showed its commitment to the organizational strength as one of the main success factors included in its 2015-2018 Strategic Plan, where the focus will be to transform LATAM Airlines Group in a group of passionate people working in a simple, unified way, with inspiring leaders, in order to provide a distinctive value proposition to our customers



and to have a healthy and sustainable company in time.

The first LATAM corporate induction was designed in 2014, addressing not only the Group's shared characteristics but also the new LATAM culture and its strategic pillars.

This training product standardized the integration process for all LATAM's collaborators in the different geographical areas where it has operations, contributing to the success of the new growth strategy it has defined.

The training area also provided support for the SAB Service Procedures Standardization project in Brazil, implemented to ensure that all passengers enjoy the same travel experience. Training was designed in line with the changes this project implied at the level of roles and products, covering all of LATAM's 5,500 cabin crew in Brazil. Ad hoc courses were also designed to equip TAM Mercosur crew in Paraguay for the challenge of interchange flights and LAN's operational standards.

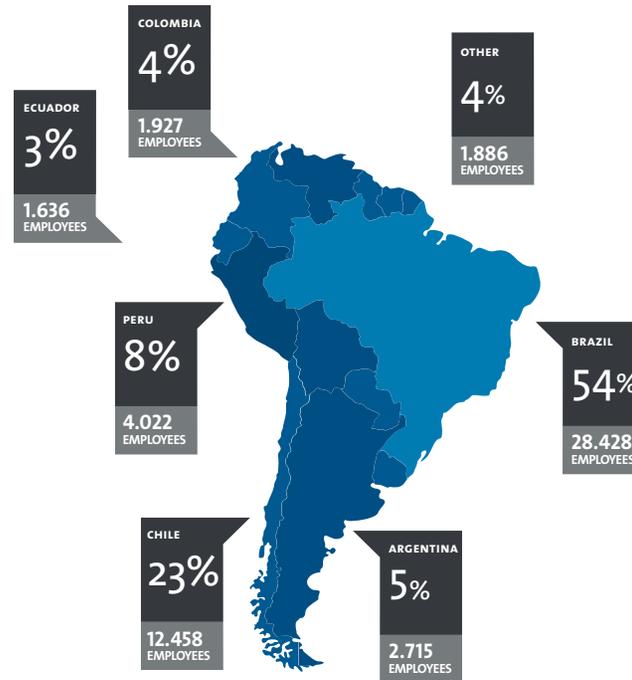
One of the most important training initiatives of 2014 was the "Celebrating Service" course which, with an attitudinal focus, provided tools to help all employees in contact with passengers (sales, contact centers, airports and in-flight personnel) to provide a more assertive service and relate better to customers. The transversal design of this course permitted development of these skills in an efficient and consistent manner whilst maintaining excellence.

With the support of LATAM's Legal area, a Code of Conduct course was also implemented to familiarize its over 53,000 collaborators with the framework within which they must carry out their tasks, avoiding potentially illegal actions or situations that would compromise LATAM Airlines Group as a whole.

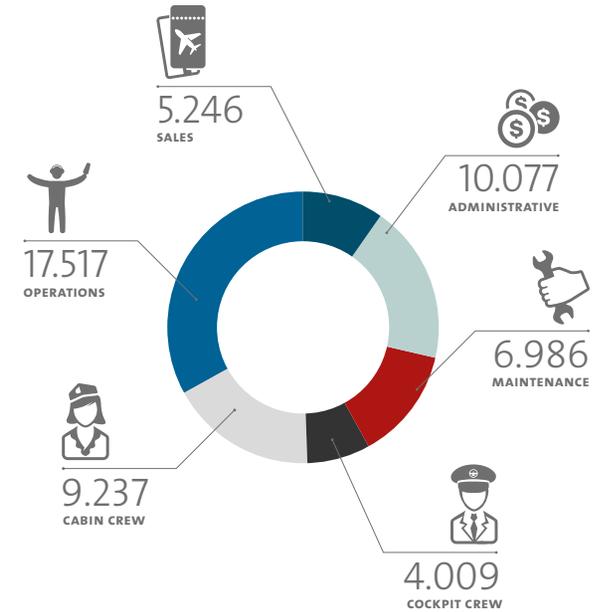
In 2014, a Corporate Selection area was created, based in Santiago, Chile, to coordinate the selection areas of the different countries where the company has operations. This area led different projects with a LATAM scope to align policies, design improvements and introduce practices which make for simpler management of processes and whose results

Our People

will begin to be seen as from 2015. In addition, a tool for interviewing candidates to fill vacancies was designed in order to identify whether they possess a behavioral profile consistent with the four LATAM cultural skills (Safety and Risk Management, Care for the Customer, Excellence, and Teamwork and Collaboration). Among other innovations, LATAM will also have a new platform hosted within the internal Peoplemanager system to manage internal job applications (job posting) more securely and efficiently as well as standardizing and automating the different stages of selection processes at the holding level.



DISTRIBUTION OF PEOPLE ACCORDING TO COUNTRY, HIGHLIGHTING QUANTITY BY HOME MARKET AND "OTHER" FOR EMPLOYEES IN THE REST OF THE WORLD.



 26 TOTAL COUNTRIES  61 TOTAL NATIONALITIES

TOTAL EMPLOYEES BY FUNCTION

Latam Airlines Group Information

LATAM AIRLINES GROUP

Chilean Tax N° (RUT): 89.862.200-2
CORPORATE HEADQUARTERS
Avenida Presidente Riesco 5711, 19th Floor
Las Condes, Santiago, Chile
Tel: (56) (2) 2565 2525

MAINTENANCE CENTER

Arturo Merino Benítez Airport
Santiago, Chile
Tel: (56) (2) 25652525
TICKER SYMBOL
LAN – Santiago Stock Exchange
LFL – New York Stock Exchange
LATM33 – Sao Paulo Stock Exchange

FINANCIAL INFORMATION

Investor Relations
LATAM Airlines Group S.A.
Avenida Presidente Riesco 5711, 20th Floor
Las Condes, Santiago, Chile
Tel: (56) (2) 2565 8785
Email: Investor.Relations@lan.com

SHAREHOLDER ENQUIRIES

Depósito Central de Valores
Huérfanos 770, 22nd Floor
Santiago, Chile
Tel: (56) (2) 2393 9003
Email: atencionaccionistas@dvc.cl

DEPOSITARY BANK ADRS

JPMorgan Chase Bank, N.A.
P.O. Box 64504
St. Paul, MN 55164-0504
Tel: General (800) 990-1135
Tel: From outside US (651) 453-2128
Tel: Global Invest Direct (800) 428-4237
Email: jpmorgan.adr@wellsfargo.com

CUSTODIAN BANK ADRS

Banco Santander Chile
Bandera 140, Santiago
Custody Department
Tel: (56) (2) 2320 3320

CUSTODIAN/DEPOSITARY BANK BDRS

Itaú Corretora de Valores S.A.
Rua Ururáí, 111 – Prédio II – Piso Térreo
Tatuapé – São Paulo/SP
CEP: 03084-010
Attention: Unidade Dedicada Produto ADR/BDR
Tel.: 55 11 2797 3411
Email: dr.italu@italu-unibanco.com.br

EXTERNAL AUDITORS

Pricewaterhouse Coopers
Avenida Andrés Bello 2711, Piso 5
Santiago, Chile
Tel: (56) (2) 2940 0000

WEBSITES

Complete information about LATAM Airlines:
www.latamairlinesgroup.net
www.lan.com
www.tam.com.br



BOARD OF DIRECTORS



SENIOR MANAGEMENT



CORPORATE GOVERNANCE PRACTICES



OWNERSHIP STRUCTURE AND PRINCIPAL SHAREHOLDERS



FINANCIAL POLICY

Board of Directors



Mauricio Rolim Amaro
Chairman of the Board

RUT: 48.143.165-4

Mr. Mauricio Rolim Amaro has served as member of LATAM Airlines Group's board of directors since June 2012. He was reelected to the board of directors of LATAM in April 2014 and has served as Chairman since September 2012. Mr. Amaro's current term as chairman ends in April 2015. Mr. Amaro has previously held various positions in the TAM Group and served as a professional pilot at TAM Linhas Aéreas S.A. and TAM Aviação Executiva S.A. Mr. Amaro has been a member of the Board of TAM S.A. since 2004, and vice-chairman of the Board since April 2007. He is also an executive officer at TAM Empreendimentos e Participações S.A. and chairman of the boards of Multiplus S.A. (subsidiary of TAM S.A.) and of TAM Aviação Executiva e Taxi Aéreo S.A.



Henri Philippe Reichstul
Director

RUT: 48.175.668-5

Mr. Henri Philippe Reichstul joined LATAM's board of directors in April 2014. Mr. Reichstul's term as a director ends in April 2015. Mr. Reichstul has served as President of Petrobras and the IPEA-Institute for Economic and Social Planning and Executive Vice President of Banco Inter American Express S.A. Currently, in addition to Administrative Board member of TAM and LATAM group, he is also a member of the Board of Directors of Repsol YPF, Peugeot Citroen and SEMCO Partners, among others. Mr. Reichstul is an economist with an undergraduate degree from the Faculty of Economics and Administration, University of São Paulo, and postgraduate work degrees in the same discipline - Hertford College - Oxford University.



Juan José Cueto Plaza
Director

RUT: 6.694.240-6

Mr. Juan José Cueto Plaza has served on LAN's board of directors since 1994 and was reelected to the board of directors of LATAM in April 2014. Mr. Cueto's term as a director ends in April 2015. Mr. Cueto currently serves as Executive Vice President of Inversiones Costa Verde S.A., a position he has held since 1990, and serves on the boards of directors of Consorcio Maderero S.A., Minera Michilla S.A., Inversiones del Buen Retiro S.A., Inmobiliaria e Inversiones Asturias S.A., Inversiones Mineras del Cantábrico S.A., Costa Verde Aeronáutica S.A., Sinergia Inmobiliaria S.A. and Valle Escondido S.A. Mr. Cueto is the brother of Messrs. Enrique and Ignacio Cueto Plaza, LATAM Airlines Group Executive Vice-President and LAN CEO, respectively. Mr. Cueto is a member of the Cueto Group (LATAM Airlines Group's Controlling Shareholder).

Board of Directors



Georges de Bourguignon Arndt
Director

RUT: 7.269.147-4

Mr. Georges de Bourguignon, has served on LATAM Airlines Group's board of directors since September 2012. Mr. de Bourguignon's term as a director ends in April 2015. Mr. de Bourguignon has been a partner and executive director of Asset Chile S.A., a Chilean investment bank, since 1994. He is currently member of the board of directors of Asset Chile S.A. and several of its affiliates, is also an independent board member of Sal Lobos S.A., Chilean subsidiary of the German group K+S, and Salmones Austral Spa, a Chilean salmon farming company. In the past he has served in several other boards of public and private companies, as well as of boards of non profit organisations. Before co-founding Asset Chile, he was manager of the Financial Institutions Group at Citibank S.A. in Chile, and was a professor of economics at the Catholic University of Chile. He is an economist from Catholic University of Chile and a graduate of Harvard Business School.



Ramón Eblen Kadis
Director

RUT: 4.346.062-5

Mr. Ramón Eblen Kadis has served on LAN's board of directors since June 1994 and was reelected to the board of directors of LATAM in April 2014. Mr. Eblen's term as a director ends in April 2015. Mr. Eblen has served as President of Comercial Los Lagos Ltda., Inversiones Santa Blanca S.A., Inversiones Andes SpA, Granja Marina Tornagaleones S.A. and TJC Chile S.A. Mr. Eblen is a member of the Eblen Group (a major shareholder of LATAM Airlines Group).



Ricardo J. Caballero
Director

RUT: 7.758.557-5

Mr. Ricardo J. Caballero joined LATAM's board of directors in April 2014. Mr. Caballero is the Ford International Professor of Economics and Director of the World Economic Laboratory at the Massachusetts Institute of Technology, an NBER Research Associate, and an advisor of QFR Capital Management LP. Mr. Caballero was the Chairman of MIT's Economics Department (2008-2011) and has been a visiting scholar and consultant at many major central banks and international financial institutions. His teaching and research fields are macroeconomics, international economics, and finance. His current research looks at global capital markets, speculative episodes and financial bubbles, systemic crises prevention mechanisms, and dynamic restructuring. His policy work focuses on aggregate risk management and insurance arrangements for emerging markets and developed economies. He has also written about aggregate consumption and investment, exchange rates, externalities, growth, price rigidity, dynamic aggregation, networks and complexity. Mr. Caballero has served on the editorial board of several academic journals and has a very extensive list of publications in all major academic journals. In April 1998 Caballero was elected a Fellow of the Econometric Society and subsequently of the American Academy of Arts and Sciences in April 2010.

Board of Directors



Carlos Heller Solari
Director

RUT: 8.717.000-4

Mr. Carlos Heller Solari joined the board of LAN in May 2010 and was re-elected to the Board of Directors of LATAM in April 2014. The mandate of Mr. Heller as a director ends in April 2015. The Mr. Heller has vast experience in retail (retail) through SACI Falabella in transport and logistics, agriculture, wine, Horse Riding and communications category. Mr. Heller is president of Bethia SA ("Bethia") (parent company of Axxion SA and Betlan Dos SA), Chairman of Axxion SA, Betlan Dos SA, Equestrian Club of Santiago, Sotraser SA and Agricultural Ancali Ltda .. also serves on the boards of SACI Falabella Falabella Retail SA, Sodimac SA, Titanium SA, Betfam SA Viña Indómita SA, Viña Santa Alicia SA, Viña Dos Andes SA Blue Express SA and Aero Andina SA In addition he is the principal shareholder and president of "Azul Azul" through Inversiones Limitada Alpes (first division team manager football at the University of Chile).



Gerardo Jofré Miranda
Director

RUT: 5.672.444-3

Mr. Gerardo Jofré Miranda, joined LATAM Airlines's Board of directors on May 2010 and was reelected to the board of directors of LATAM in April 2014. Mr. Jofré's term as a director ends in April 2015. Mr. Jofré is member of the board of directors of Codelco. Mr. Jofré is member of the Real Estate Investment Council of Santander Real Estate Funds. From 2005 to 2010 he served as member of the boards of directors of Endesa Chile S.A., Viña San Pedro Tarapacá S.A., D&S S.A., Inmobiliaria Titanium S.A. Construmart S.A., Inmobiliaria Playa Amarilla S.A. and Inmobiliaria Parque del Sendero S.A. and was President of Saber Más Foundation. Mr. Jofré was Director of Insurance for America for Santander Group of Spain between the years 2004 and 2005. From 1989 to 2004 he served on Santander Group in Chile, as Vice Chairman of the Group and as CEO, member of the boards of directors and Chairman of many of the Group's companies.



Francisco Luzón López
Director

RUT: 48.171.119-3

Mr. Francisco Luzón López has served on LATAM Airlines Group's board of directors since September 2012 and was reelected to the board of directors of LATAM in April 2014. Mr. Luzón's term as a director ends in April 2015. He has served as a consultant of the Inter-American Development Bank (IDB) and he has been Teacher "Visiting Leader" of the School of Business China-Europe (CEIBS) in Shanghai (2012-2013). He is currently a member of the board of La Haya Real Estate (September 2014) and an Independent Director at Willis Group (June 2013). Between 1999 and 2012, Mr. Luzon served as Executive Vice President for Latin America of Banco Santander. In this period, he was also Worldwide Vice President of Universia SA. Between 1991 and 1996 he was Chairman and CEO of Argentaria Bank Group. Previously, in 1987, he was appointed Director and General Manager of Banco de Vizcaya and in 1988 Counselor and General Director of Banking Group at BBV. During his career Mr. Luzon has held positions on the boards of several companies, most recently participating in the council of the global textile company Inditex-Zara from 1997 until 2012.

Senior Management



Enrique Cueto Plaza
CEO LATAM Airlines Group

RUT: 6.694.239-2



Ignacio Cueto Plaza
LAN CEO

RUT: 7.040.324-2



Marco Antonio Bologna
TAM CEO

Extranjero

Mr. Enrique Cueto Plaza, is LATAM Airlines Group's Chief Executive Officer ("CEO"). From 1994 to 2012, Mr. Cueto was the CEO of LAN. From 1983 to 1993, Mr. Cueto was Chief Executive Officer of Fast Air, a Chilean Cargo airline. Mr. Cueto also served on the LAN board of directors from 1993 to 1994. Mr. Cueto has in-depth knowledge of passenger and cargo airline management, both in commercial and operational aspects, gained during his 24 years in the airline industry. Mr. Cueto is an active member of the oneworld® Alliance Governing Board, the IATA (International Air Transport Association) Board of Governors. He is also member of the Board of the Federation of Chilean Industry (SOFOPA) and of the Board of the Endeavor foundation, an organization dedicated to the promotion of entrepreneurship in Chile. Mr. Cueto is the brother of Mers. Juan José and Ignacio Cueto Plaza, member of the board and LAN CEO, respectively. Mr. Cueto is also a member of the Cueto Group (LATAM Airlines Group's Controlling Shareholder).

Mr. Ignacio Cueto Plaza, is LAN's CEO. Mr. Cueto served as President of LAN Cargo from 1995 to 1998, as Chief Executive Officer-Passenger Business from 1999 to 2005, and as President and Chief Operating Officer of LAN since 2005 until the merger with TAM in 2012. Mr. Cueto has previously served on the board of directors of LAN (from 1995 to 1997) and Ladeco (from 1994 to 1997). In addition, Mr. Cueto served as Chief Executive Officer of Fast Air from 1993 to 1995. Between 1985 and 1993, Mr. Cueto held several positions at Fast Air, including Service Manager for the Miami sales office, Director of Sales for Chile and Vice President of Sales and Marketing. Mr. Cueto is the brother of Messrs. Juan José and Enrique Cueto Plaza, Director and LATAM's CEO, respectively. Mr. Cueto is also a member of the Cueto Group (which is a controlling shareholder of LATAM).

Mr. Marco Bologna, is TAM's CEO since May, 2010. He is also board member of Suzano Papel e Celulose S/A. He joined TAM in March 2001, when he was appointed Vice President for Finance and Management, and Market Relations Director. From 2004 to 2007 he served as President of TAM Linhas Aéreas, and in March 2009 he took over as President of TAM Aviação Executiva and Táxi Aéreo S.A. Since April 30, 2010 he has chaired the holding company TAM S.A., which brings together TAM Linhas Aéreas, TAM Airlines (formerly TAM Mercosur), Multiplus Fidelidade, and the maintenance unit TAM MRO. In February 2012, he was also appointed President of TAM Linhas Aéreas. Mr. Bologna has extensive experience in the aviation industry, and has worked in the financial markets for over 20 years. Mr. Bologna will cease to be CEO of TAM on April 1ST, 2015.

Senior Management



Claudia Sender Ramírez
 TAM Airlines CEO

Extranjero

Mrs. Claudia Sender Ramirez, has served as TAM Airlines' CEO since May 2013. Mrs. Sender joined the company in December 2011, as Commercial and Marketing Vice-President. After June 2012, with the conclusion of TAM-LAN merger and the creation of LATAM Airlines Group, she became the head of Brazil Domestic Business Unit, and her functions were expanded in order to include TAM's entire Customer Service structure. Mrs. Sender dedicated most of her career in consumer goods industry, focused in Marketing and Strategic Planning. Prior to joining TAM, she was Marketing Vice-President at Whirlpool Latin America for seven years. She also worked as a consultant at Bain&Company, developing projects for large companies in various industries, including TAM Airlines and other players of the global aviation sector. She has a bachelor degree in Chemical Engineering from the Polytechnic School at the University of São Paulo (USP) and a MBA from Harvard Business School.



Armando Valdivieso Montes
 LAN President

RUT: 8.321.934-3

Mr. Armando Valdivieso Montes, is President of LAN. Between 1997 and 2005 he served as Chief Executive Officer-Cargo Business of LAN and from 2006 until 2012 he served as the General Manager-Passenger. After the merger with TAM in 2012, Mr. Valdivieso served as LATAM's Spanish Speaking Countries Executive Vice-President, before being named to his current position. From 1994 to 1997, Mr. Valdivieso was President of Fast Air. From 1991 to 1994, Mr. Valdivieso served as Vice President, North America of Fast Air Miami.



Cristian Ureta Larraín
 Cargo Executive Vice-President

RUT: 9.488.819-0

Mr. Cristian Ureta Larrain, is LATAM's Cargo Executive Vice-President. From 1998 and 2002, Mr. Ureta was LAN Cargo's Planning and Development Vice-President and in 2002 he was promoted to Production Vice President. In 2005, Mr. Ureta assumed the position of General Manager-Cargo. Mr. Ureta has an Engineering degree from Pontificia Universidad Católica and a Special Executive Program from Stanford University. Prior to that, Mr. Ureta served as General Director and Commercial Director at Mas Air, and as Service Manager for Fast Air.

Senior Management



Roberto Alvo Milosawlewitsch
Senior VP Planning And Network

RUT: 8.823.367-0

Mr. Roberto Alvo Milosawlewitsch, is LATAM's Senior VP Planning and Network. Mr. Alvo has served in various roles within LAN since 2001, including as CFO of LAN Argentina from 2005 until 2008, as Vice-president of Development of LATAM Airlines Group from 2003 until 2005 and Vice-President of Treasury of LATAM Airlines Group from 2001 until 2003. He assumed the position of Senior Vice-President Strategic Planning and Development in 2008. Before 2001 Mr. Alvo held various positions at Sociedad Química y Minera de Chile S.A., a leading non-metallic Chilean mining company. Mr. Alvo is a civil engineer and obtained an MBA from IMD in Lausanne, Switzerland.



Jerome Cadier
Chief Marketing Officer

RUT: 24.363.805-4

Mr. Jerome Cadier, is Chief Marketing Officer, a position he assumed in March 1st, 2013. Mr. Cadier has a Masters degree from the Kellogg Graduate School of Business, USA and a Industrial Engineer degree from Escola Politecnica da Universidade de Sao Paulo, Brasil. Between 1994 and 2002, Mr. Cadier worked as a management consultant for McKinsey and Co. in Sao Paulo, Brasil. In 2003 he joined Whirlpool Home Appliances where he held several positions among which are head of sales and marketing for Brazil and CEO for Whirlpool Oceania.



Juan Carlos Menció
Senior Vicepresident Of Legal Affairs And Compliance

RUT: 24.725.433-1

Mr. Juan Carlos Mencion is Senior Vice President of Legal Affairs and Compliance for LATAM Airlines Group since June 1, 2014. Mr. Mencion had previously held the position of General Counsel for North America for LATAM Airlines Group and its related companies, as well as General Counsel for its worldwide Cargo Operations, both since 1998. Prior to joining LAN, he was in private practice in New York and Florida representing various international airlines. Mr. Mencion obtained his Bachelor's Degree in International Finance and Marketing from the School of Business at the University of Miami and his Juris Doctor Degree from Loyola University.

Senior Management



Emilio del Real Sota
HR Executive Vice-President

RUT: 9.908.112-0

Mr. Emilio del Real Sota, is LATAM's HR Executive Vice-President, a position he assumed (with LAN) in August 2005. Mr. del Real has a Psychology degree from Universidad Gabriela Mistral. Between 2003 and 2005, Mr. del Real was the Human Resource Manager of D&S, a Chilean retail company. Between 1997 and 2003 Mr. del Real served in various positions in Unilever, including Human Resource Manager for Chile, and Training and Recruitment Manager and Management Development Manager for Latin America.



Andrés Osorio Hermansen
Chief Financial Officer

RUT: 7.035.559-0

Mr. Andrés Osorio, is LATAM's Chief Financial Officer ("CFO"), and has held this position since August, 2013.. He holds a Business degree from the Catholic University of Chile and has over 20 years of experience leading financial areas in companies such as Cencosud, where he was CFO for 7 years, and Metrogas, among others. He has also been CEO of Empresas Indumotora, a Chilean automobile conglomerate, and was a partner at PricewaterhouseCoopers in Chile.

Year 2014

Board Members	Position	Director's remuneration (US\$)	Comitte of Directors' fee (US\$)	Sub-Comitte fee (US\$)	Total (US\$)
Mauricio Rolim Amaro	President	44.096		9.621	53.717
Maria Claudia Amaro	Director	8.221		3.289	11.510
Henri Philippe Reichstul	Director	6.157		1.642	7.799
Ricardo J. Caballero	Director	16.147		11.303	27.450
Juan José Cueto Plaza	Director	22.065		14.443	36.508
Ramón Eblen Kadis	Director	22.072	26.887	14.447	63.406
Georges de Bourguignon	Director	21.523	28.841	12.523	62.887
José María Eyzaguirre Baeza	Director	4.694		1.252	5.946
Carlos Heller Solari	Director	16.592		1.475	18.067
Juan Gerardo Jofré Miranda	Director	22.053	29.551	14.435	66.039
Francisco Luzón López	Director	9.992		9.593	19.585

For the purposes of its management structure, LATAM Airlines Group S.A. uses names or terms that are standard in local and, particularly, international companies and serve to indicate the seniority of the different executives who comprise its administration as well as their respective salary levels.

In accordance with the above, the internal terms used in LATAM Airlines Group for the purposes of seniority, supervision and salary scales are as follows:

1. Senior Vice-President. Term indicating the Company's principal executives.

2. Vice-President. Term indicating senior executives who report to the Executive Vice-President, a Senior Vice-President or a General Manager.

3. Senior Director. Term indicating executives who report to a Senior VicePresident or a Vice-President.

4. Director. Term indicating executives who report to a Senior Vice-President or a Vice-President.

5. Senior Manager. Term indicating executives who report to a VicePresident, a Senior Director or a Director.

6. Manager. Term indicating an executive who reports to a Senior Director, a Director or a Senior Manager.

7. Assistant Manager or Coordinator. Term indicating an executive who reports to a Senior Manager or a Manager.

The term "Directors", used to report the remunerations of the Company's executives, is used in the sense of these posts or internal terms and not the legal sense envisaged in Section IV of Chile's Law No. 18.046 on Corporations. The remunerations or fees of the members of the Company's Board of Directors are reported in the corresponding section of this Annual Report.

In addition, for the purposes of this Annual Report, all reference to "principal executives" is understood to be to the internal posts or levels of Vice-President, General Manager, Senior Director and Director as set out above. In 2014, the Company paid its principal executives (considering the levels of VicePresidents, General Managers, Senior Directors and Directors as defined above) a total of US\$44,133,566, with no incentive payments. As a result, the Company paid its principal executives total gross remunerations of US\$44,133,566.

Compensation Plans

At the Extraordinary Shareholders' Meeting held on 21 December 2011, the Company's shareholders approved the issue of 4,800,000 shares for compensation plans for the employees of the Company and its subsidiaries (the "2011 Compensation Plan").

The principal conditions of the 2011 Compensation Plan are as follows:

1. The options assigned to each employee will accrue in stages on the following three occasions: (1) 30% on 21 December 2014, (2) 30% on 21 December 2015, and (3) 40% on 21 June 2016, subject to the employee remaining with the Company.

2. Once the options have accrued in the stages indicated above, employees may exercise them totally or partially in which case they must subscribe and pay the respective options at the moment of subscribing them. If exercised partially, this may not be for less than 10% of the total options allocated to the employee.

3. The period in which employees may exercise the options, once accrued, will expire on 21 December 2016.

4. The price to be paid for each share allocated to the Compensation Plan, if the respective options are exercised, will be US\$17.22. As from the date of its setting, this price expressed in US dollars will be adjusted for the variation in the Consumer Price Index (CPI), published monthly by the US Department of Labor, between the date of setting the price and the date of subscribing and paying the options. The options will be paid in Chilean pesos at the exchange rate for the Dólar Observado (Observed Dollar) published in the Diario Oficial (Official Gazette) at the same date on which they are subscribed and paid.

As of 31 December 2014, a total of 4,202,000 shares from the 2011 Compensation Plan had been assigned to company employees, corresponding almost exclusively to senior executives in the corporate posts indicated above. There remained, therefore, a balance of 598,000 shares that had not been allocated. To date, none of the options has accrued or been exercised in line with point 1 above.

At the Extraordinary Shareholders' Meeting which took place on 11 June 2013, the Company's shareholders approved, among other decisions, the issue of 1,500,000 shares

Compensation Plans

for compensation plans for the employees of the Company and its subsidiaries (the "2013 Compensation Plan").

The 2013 Compensation Plan has the following general characteristics:

1. The options assigned to each employee will all accrue on 15 November 2017, subject to the employee remaining with the Company.
2. Once the options have accrued at the date indicated, employees may exercise them totally or partially in which case they must subscribe and pay the respective options at the moment of subscribing them in cash or by check, bank check, electronic transfer or any other instrument representing money payable on sight. If exercised partially, this may not be for less than 10% of the total options allocated to the employee.
3. The period in which employees may exercise the options, once accrued as indicated in point 3 above, will expire on 11 June 2018. If the employee has not exercised or waived the options by this date, it will be understood for all purposes that the employee has waived the options and that, as a result, all right, power,

promise or offer related to subscription of the Company's shares has ceased to exist and the employee has irrevocably renounced all right or power in relation to the shares, freeing the Company from any obligation.

4. The price to be paid for each share allocated to the 2013 Compensation Plan, if the respective options are exercised, will be US\$16.40. As from the first day of the preferential option period through to the date of subscription and payment of the shares, this price expressed in US dollars will be adjusted for the variation in the Consumer Price Index (CPI), published monthly by the US Department of Labor. The options will be paid in Chilean pesos at the exchange rate for the Dólar Observado (Observed Dollar) published in the Diario Oficial (Official Gazette) at the same date on which they are subscribed and paid.

A date for implementation of the 2013 Compensation Plan has yet to be set and no shares corresponding to the Plan have, therefore, so far been allocated.

Corporate Governance Practices



LATAM Airlines Group S.A. is a listed joint stock company registered with the Superintendencia de Valores y Seguros (SVS), Chile's stock market regulator, under Inscription N°306. Its shares trade on the Santiago Stock Exchange, Chile's Electronic Stock Exchange and the Valparaíso Stock Exchange as well as on the New York Stock Exchange (NYSE) as American Depositary Receipts (ADRs) and on Brazil's Stock, Commodity and Futures Exchange (BM&FBOVESPA S.A.) in the form of Brazilian Depositary Receipts (BDRs).

LATAM Airlines Group's corporate governance practices are regulated by Chile's Securities Market Law (N° 18.045) and its Corporations Law (N° 18.046), including their associated norms, as well as other norms issued by the SVS. In addition, it is subject to the legislation and regulation of the United States and that country's Securities and Exchange Commission (SEC) as they apply to the issue of ADRs and the laws and regulation of the Federal Republic of Brazil and the Comissão de Valores Mobiliários (CVM), the country's stock market regulator, as they apply to the issue of BDRs.

The corporate governance practices of LATAM Airlines Group are subject to

constant review in order to ensure that its internal self-regulation processes are totally aligned with the regulation in force and the LATAM's values.

LATAM Airlines Group's decisions and commercial activities are underpinned by the ethical principles established in LATAM's Code of Conduct.

STRUCTURE

As of 31 de December 2014, LATAM Airlines Group had a total of 1,626 registered shareholders. LATAM Airlines Group is controlled by the Cueto group, represented by Costa Verde Aeronáutica S.A., Inversiones Nueva Costa Verde Aeronáutica Ltda., Costa Verde Aeronáutica SpA, Inversiones Priesca Dos y Cía. Ltda., Inversiones Caravia Dos y Cía. Ltda., Inversiones El Fano Dos y Cía. Ltda. Inversiones La Espasa Dos y Cia. Limitada, Inversiones Puerto Claro Dos y Cia. Ltda., Inversiones La Espasa Dos S.A., Inversiones Puerto Claro Dos Limitada and Inversiones Mineras del Cantábrico S.A. As of end-2013, these companies together held a 25.49% stake while the remainder corresponded to different institutional investors, companies and individuals.

As of 31 December 2014, 7.69% of LATAM was held in the form of ADRs and 0.53% as BDRs. The main bodies responsible for LATAM Airlines Group's corporate governance are its Board of Directors and the Directors' Committee (which also fulfills the functions of the Audit Committee required under the Sarbanes-Oxley Act of the United States), together with the Strategy, Finance, Leadership and Product, Brand and Frequent Flyer Program Committees created after the association between LAN Airlines and TAM. The main functions of these bodies are set out below.

BOARD OF DIRECTORS OF LATAM AIRLINES GROUP

LATAM Airlines Group's Board of Directors has nine members and is the body responsible for analyzing and defining LATAM's strategic vision, thereby playing a fundamental role in its corporate governance. All the Board seats come up for election every two years and, under LATAM Airlines Group's statutes, directors are elected through cumulative voting. Each shareholder has one vote per share and can use all his or her votes to support

Corporate Governance Practices

one candidate or divide them among any number of candidates. This arrangement ensures that a shareholder with more than a 10% stake can elect at least one director. The present Board of Directors was elected by the Ordinary Shareholders' Meeting which took place on April 29th, 2014.

LATAM Airlines Group's Board holds ordinary monthly meetings and extraordinary meetings whenever the Company's affairs so require. Directors' fees must be approved by vote at the Ordinary Shareholders' Meeting. The Directors' Committee usually meets monthly and its functions and powers are those established by the applicable legislation and regulation.

DIRECTORS' COMMITTEE OF LATAM AIRLINES GROUP

Under Chilean law, listed joint stock companies must appoint at least one independent director and a Directors' Committee when they have a market capitalization of at least 1,500,000 unidades de fomento (an inflation-indexed currency unit) and at least 12.5% of the voting shares are held by shareholders who individually

control or possess less than 10% of these shares. Three of the nine Board members form a Directors' Committee, which fulfills both the functions required under Chile's Corporations Law and those of the Audit Committee required under the Sarbanes-Oxley Act of the United States and the corresponding SEC norms.

The Directors' and Audit Committee has the functions established in Article 50 bis of Chile's Corporations Law (N° 18.046) and the other applicable regulation. These include:

- To examine the reports of LATAM Airlines Group's external auditors, general balance sheets and other financial statements that LATAM Airlines Group's administrators provide to shareholders and to express an opinion about these reports prior to their presentation for approval by shareholders.
- To put to the Board proposals as to the external auditors and credit rating agencies to be used.
- To examine internal control reports and any related complaints.
- To examine and report on all matters regarding related-party transactions.
- To examine the pay scale of LATAM's senior

management. The requirements for directors' independence are set out in Chile's Corporations Law (N° 18.046) and its subsequent modifications under Law N° 19.705 on the relationship between directors and LATAM's controlling shareholders. A director is considered independent when he or she does not, in general, have ties, interests or economic, professional, credit or commercial dependence of a significant nature or size with or on the company, the other companies in the group of which it forms part, its controller or principal executives or a family relationship with the latter or any of the other types of ties specified in Law N° 18.046.

Under US regulation, it is necessary to have an Audit Committee, comprising at least three Board members, that fulfills the independence requirements established under Rule 10A of the Exchange Act. Given the similarity of the functions of the Directors' Committee and the Audit Committee, LATAM Airlines Group's Directors' Committee acts as an Audit Committee under Rule 10A of the Exchange Act. As of 31 December 2014, all the members

Corporate Governance Practices

of the Directors' Committee, who also act as part of the Audit Committee, were independent directors as defined under Rule 10A of the Exchange Act. At that date, its members were Messrs. Ramón Eblen Kadis, Georges de Bourguignon Arndt and Juan Gerardo Jofré Miranda (chairman of the Committee). For the purposes of Chile's Corporations Law (N° 18.046), Ramón Eblen Kadis is not considered an independent director.

DIRECTORS' COMMITTEE ANNUAL REPORT

As required under Article 50 bis of Law N° 18.046, the matters examined by the Directors' Committee in 2014 are set out below:

- 1) Extraordinary Session N°25 30/1/2014
 - Review of calculation of impairment of certain assets included in financial statements already issued.
- 2) Ordinary Session N°141 31/1/14
 - System of remunerations and compensation plan for executives
 - Analysis of Multiplus business.
- 3) Extraordinary Session N°26 7/3/14
 - Review of calculation of impairment

of certain assets included in financial statements at 31 December 2013

- Approval of fees of PwC.

4) Extraordinary Session N°27 17/3/14

- Review of financial statements at 31 December 2013.

5) Ordinary Session N°142 4/4/14

- Proposal for external auditors and private credit rating agencies for 2014
- Other business
- Annual report of Directors' Committee.

6) Ordinary Session N°143 5/5/14

- Accounting effect of fleet restructuring/redelivery
- Identification of issues pending analysis that were raised in requests presented by the Committee in 2013 and 2014 to date
- Fees for proposed services of external auditors PwC.

7) Extraordinary Session N°28 13/5/14

- Review of financial statements at 31 March 2014.

8) Ordinary Session N°144 9/6/14

- Evaluation of CEO and senior executives

- Closure of 2013 audit plan and 2014 plan.

9) Ordinary Session N°145 4/7/14

- Closure of 2013 audit plan and 2014 plan
- Fees for proposed services of external auditors PwC and letter of independence
- Evaluation of CEO and senior executives.

10) Ordinary Session N°146 4/8/14

- Situation in Venezuela as regards foreign currency remittances
- Government investigations
- Follow-up of list of issues raised by the Committee
- LATAM risk matrix project.

11) Extraordinary Session N°29 12/8/14

- Review of financial statements at 30 June 2014.

12) Ordinary Session N°147 1/9/14

- Closure of 2013 audit plan and 2014 plan.

13) Ordinary Session N°148 9/10/14

- 2014 audit plan
- Tax reform
- Situation in Venezuela
- External auditors' fees.

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14) Extraordinary Session N°30 24/10/14
• Tax contingencies
• Tax reform in Chile – implementation plan.

15) Ordinary Session N°149 3/11/14
• Related-party transactions
Tax reform
Compliance plan. Compliance training for Directors made by the Chief Compliance Officer, in charge of crime prevention at LATAM.
External auditors' fees.

16) Extraordinary Session N°31 12/11/14
• Review of financial statements at 30 September 2014
Situation in Venezuela
External auditors' fees
Letter received from external auditors.

17) Ordinary Session N°150 9/12/14
2014 external audit plan
Corporate governance
Law 20.393 crime prevention model
External auditors' fees.

COMMITTEES OF THE BOARD OF DIRECTORS OF LATAM AIRLINES GROUP

In accordance with the shareholders' agreement of 25 January 2012 between LATAM Airlines Group S.A. (previously LAN Airlines S.A.) and TEP Chile S.A., the Ordinary Board Session of 3 August 2012 established the following four committees to review, discuss and make recommendations to the Board about the issues related to their respective areas of responsibility:

(i) Strategy Committee, (ii) Leadership Committee, (iii) Finance Committee, and (iv) Brand, Product and Frequent Flyer Program Committee. In accordance with the said shareholders' agreement, each subcommittee will comprise two or more directors of LATAM Airlines Group and at least one of their members must be a director elected by TEP Chile S.A.

The Strategy Committee will focus on corporate strategy, current strategic affairs and the three-year plans and budgets of the main business units and functional areas and high-level review strategies. The Leadership Committee will focus on areas that include



group culture, high-level organizational structure, appointment of the executive vice-president of LATAM Airlines Group (henceforth, "CEO of LATAM") and those who report to this person, the philosophy of corporate remunerations, structures and levels of remunerations and objectives for the CEO of LATAM and other key staff, the succession or contingency plan for the CEO of LATAM and evaluation of the performance of the CEO of LATAM.

The Finance Committee will focus on financial policies and strategy, capital structure, control of compliance policies, tax

Corporate Governance Practices

optimization strategy and the quality and reliability of financial information. Finally, the Brand, Product and Frequent Flyer Program Committee will focus on brand strategies and brand construction initiatives for corporate brands and those of the principal business units, the principal characteristics of products and services for each of the principal business units, the strategy of the Frequent Flyer Program and its key characteristics and regular auditing of the brand's performance.

In addition, by agreement of the Board of LATAM Airlines Group S.A., during the board of directors' meeting No. 389 on 10 June 2014, a Risk Committee was formed with the purpose of supervising the implementation of the Risk management success factor, included in LATAM's Strategic Plan, and particularly to oversee LATAM Airlines Group's risk management of risks of LATAM Airlines Group and ensure a corporate risk matrix structuring.

RELATED-PARTY TRANSACTIONS

Under Chile's Corporations Law, a listed company's operations with a related party must take place in market conditions and comply with certain authorization and disclosure requirements that are different from those applying to a non-listed company. This applies to listed companies and their subsidiaries.

LATAM Airlines Group has carried out different transactions with its subsidiaries, including entities owned or controlled by some of its majority shareholders. In the normal course of LATAM's business, different types of services have been provided to or received from related companies, including the rental and exchange of aircraft and cargo transport and booking services.

LATAM Airlines Group's policy is not to carry out transactions with or for the benefit of any shareholder or Board member or with any entity controlled by these persons or in which they have a significant economic interest, except when the transaction is related to LATAM and the price and other terms are at least as favorable for the LATAM

as those which could be obtained from a third party under market conditions.

These transactions are summarized in the audited consolidated financial statements for the year ending on 31 December 2014.

Finally, and along with the rules laid down in the Code of Conduct of LATAM Airlines Group on this matter, for the purposes of letter b) of the last point of Article 147 of Law No. 18.046 on Corporations, LATAM Airlines Group has a general policy on habitual operations which was approved by its Board of Directors in its Session of 29 December 2009 and reported as material news to the Superintendencia de Valores y Seguros on that same date. The operations indicated in this general policy on habitual operations may be carried out without the requirements envisaged in the said Article 147.

PRINCIPLES OF GOOD CORPORATE GOVERNANCE

LATAM Airlines Group's good corporate governance is the result of the interaction of different individuals and stakeholders. Although all employees share responsibility

Corporate Governance Practices

for compliance with the high standards of ethics and adherence to regulation established by LATAM Airlines Group's Board of Directors, it is the Board, the Directors' Committee and the Company's principal executives who are primarily responsible for LATAM Airlines Group's good corporate governance. In line with the above, LATAM Airlines Group is committed to transparency and compliance with the ethical and regulatory standards established for this purpose by its Board of Directors.

PILLARS OF LATAM AIRLINES GROUP'S CORPORATE GOVERNANCE

Notwithstanding the responsibilities of the Company's Board of Directors and its Directors' Committee, LATAM Airlines Group's administration has also taken a number of measures to ensure due corporate governance. These include principally:

1. Publication of the new Code of Conduct for LATAM, unique for all of the Company's employees, which seeks to ensure that all employees adhere to the highest standards of ethics, transparency and compliance with

regulation required by LATAM Airlines Group. - Ethics Lines of LAN (www.lan.ethicspoint.com) and TAM (www.eticatam.com.br). These facilities provide employees with a direct and private online channel through which to report any concerns in the knowledge that these will be properly processed or investigated without any risk of reprisal against the person reporting them.

2. Code of Ethics for Senior Financial Executives. This fosters honest and ethical conduct in the disclosure of financial information, compliance with regulation and avoidance of conflicts of interest.

3. Manual for Management of Market-Sensitive Information. This is required by the Superintendencia de Valores y Seguros and, since Law N° 20.382 on Corporate Governance came into force, also by Chilean securities market legislation. LATAM Airlines Group, however, seeks to go further than these norms and regulates the criteria for disclosure of operations, periods of voluntary abstinence from the purchase and sale of LATAM's shares, mechanisms for continuous disclosure of market-sensitive information and mechanisms for the protection of



confidential information by the Company's employees and executives.

4. Compliance Program. Managed by LATAM's Compliance Area, which forms part of the Legal Vice-Presidency, in coordination with and under the supervision of the Board of Directors and its Directors' Committee, this Program supervises compliance with the laws and regulation applicable to LATAM Airlines Group's businesses and activities in the different countries in which it operates.

Corporate Governance Practices



CORPORATE GOVERNANCE PRACTICES

On March 31, 2014, the Report on LATAM's Corporate Practices which was approved by LATAM Airlines Group's Board of Directors and prepared in accordance with General Norm N° 341 issued by the Superintendencia de Valores y Seguros (SVS) on 29 November 2012., was dispatched to this same organism. The information required under this norm is as of December 31 of each year and must be presented by March 31 of the subsequent year.

The information filed annually with the SVS must refer to the following matters:
The functioning of the Board of Directors.
The relation between LATAM, its shareholders and the general public.
The replacement and remuneration of LATAM's principal executives.
The definition, implementation and supervision of LATAM's internal control policies and procedures and risk management.

Ownership Structure and Principal Shareholders

DECEMBER 31 OF 2014

	Shareholder	N° Offshares 2014/12/31	%
1	COSTA VERDE AERONAUTICA SA	85.772.914	15,7%
2	TEP CHILE SA	65.554.075	12,0%
3	J P MORGAN CHASE BANK	41.936.775	7,7%
4	INVERSIONES NUEVA COSTA VERDE AERONAUTICA LTDA	22.928.277	4,2%
5	BANCO DE CHILE POR CUENTA DE TERCEROS NO RESIDENTES	21.904.156	4,0%
6	COSTA VERDE AERONAUTICA SPA	20.000.000	3,7%
7	BANCO ITAU POR CUENTA DE INVERSIONISTAS	19.744.217	3,6%
8	AXXION S A	18.473.333	3,4%
9	INVERSIONES ANDES SPA	17.146.529	3,1%
10	INVERSIONES HS SPA	14.894.024	2,7%
11	LARRAIN VIAL S A CORREDORA DE BOLSA	12.361.609	2,3%
12	BANCO SANTANDER POR CUENTA DE INV EXTRANJEROS	11.174.043	2,0%

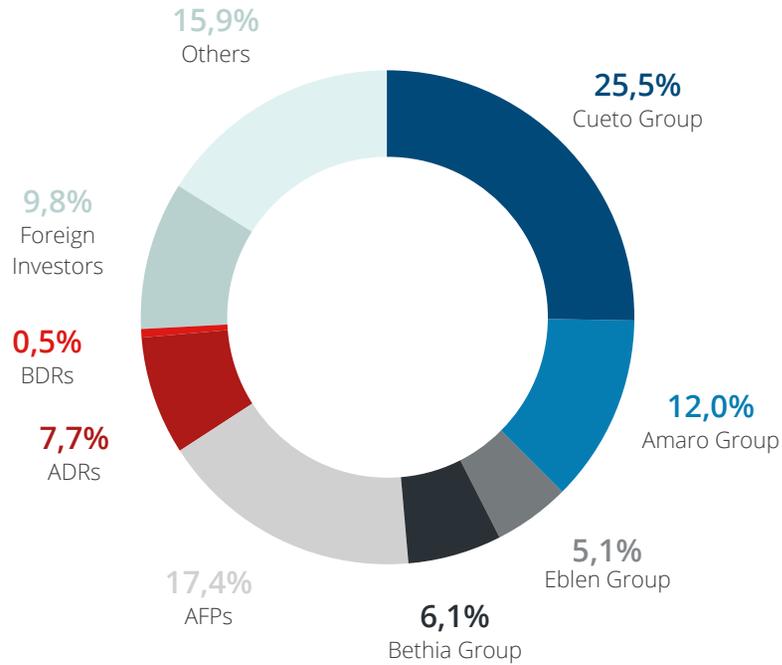
Ownership Structure and Principal Shareholders

DECEMBER 31 OF 2013

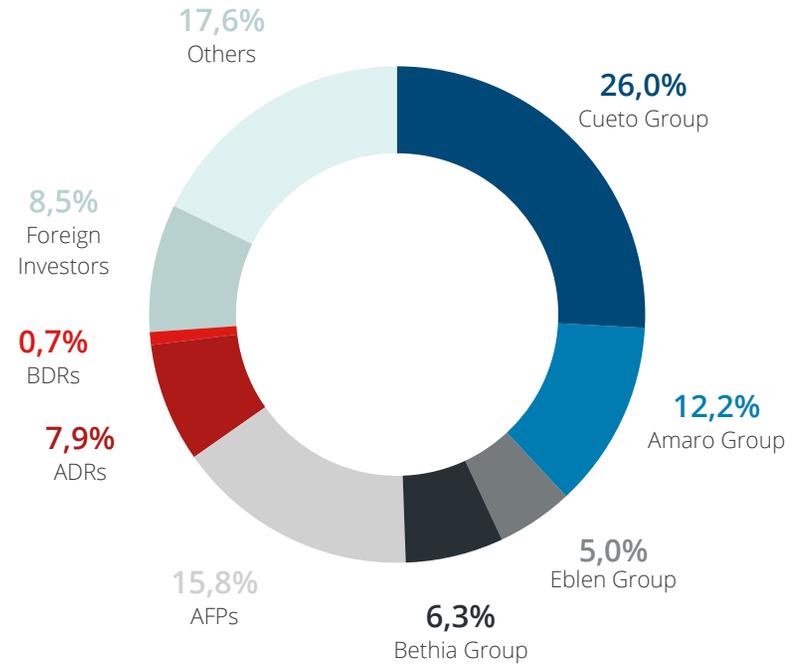
	Shareholder	N° Offshares 2013/12/31	%
1	COSTA VERDE AERONAUTICA SA	86.386.914	16,1%
2	TEP CHILE SA	65.554.075	12,2%
3	J P MORGAN CHASE BANK	42.318.030	7,9%
4	INVERSIONES NUEVA COSTA VERDE AERONAUTICA LTDA	22.314.277	4,2%
5	BANCO DE CHILE POR CUENTA DE TERCEROS NO RESIDENTES	20.134.096	3,8%
6	COSTA VERDE AERONAUTICA SPA	20.000.000	3,7%
7	AXXION S A	18.473.333	3,5%
8	INVERSIONES ANDES SPA	16.120.777	3,0%
9	INVERSIONES HS SPA	15.028.024	2,8%
10	BANCO ITAU POR CUENTA DE INVERSIONISTAS	14.554.107	2,7%
11	BANCO SANTANDER POR CUENTA DE INV EXTRANJEROS	10.050.999	1,9%
12	AFP PROVIDA S.A. FONDO TIPO C	7.974.373	1,5%

Ownership Structure and Principal Shareholders

2014



2013



Ownership Structure and Principal Shareholders

LATAM Airlines Group's policy is to pay the minimum dividends required by law or, in other words, 30% of profits in accordance with the regulation in force.

DIVIDENDS

LATAM Airlines Group's policy is to pay the minimum dividends required by law or, in other words, 30% of profits in accordance with the regulation in force. This does not, however, preclude the distribution of dividends above this obligatory minimum level depending on the particular events and circumstances that may arise during the year.

The dividends for 2012 corresponded to 30% of that year's distributable profits in accordance with international financial reporting standards. No dividends were distributed in years 2013 and 2014 since LATAM reported net losses. The table below shows the dividend per share paid during the past three years.



Year of profits of dividend payment	Payment date	Type	Total dividend paid Dividendos	Number of shares	Dividend per share	Dividend per ADR
2012	17 May 2013	Definitive	3,288,127	483,547,819	0,00680	0,00680
2013	No dividends distributed					
2014	No dividends distributed					

Financial Policy

The Directorate of Corporate Finances is responsible for managing LATAM's Financial Policy. This Policy enables LATAM Airlines Group to respond effectively to conditions external to the business and, in this way, maintain a stable flow of funds to ensure the continuity of its operations.

The Finance Committee, formed by the Executive Vice-President and members of the Board of Directors, meets periodically to review and make recommendations to the Board about matters not regulated by the Financial Policy.

LATAM Airlines Group's Financial Policy seeks to:

Ensure a minimum level of liquidity for the operation. Preserve and maintain cash levels adequate for the needs of the operation and its growth. Maintain an adequate level of lines of credit with local and overseas banks for response to contingencies.

Maintain an optimum borrowing level and profile that are reasonably proportionate to the growth of operations and take into account the objective of minimizing financing costs.

Achieve a return on cash surpluses through financial investments which guarantee a level of risk and liquidity consistent with the Financial Investment Policy.

Reduce the impact on LATAM's net margin of market risks such as variations in the price of fuel, exchange rates and interest rates.

Reduce counterparty risk through diversification of and caps on investments and operations with counterparties.

Maintain visibility of LATAM's projected long-term financial situation so as to anticipate situations such as failure to comply with covenants, low liquidity, a deterioration of the financial ratios established in undertakings with ratings agencies, etc.

LATAM Airlines Group's Financial Policy establishes guidelines and restrictions for managing operations related to Liquidity and Financial Investment, Financing Activities and Management of Market Risk.

LIQUIDITY AND FINANCIAL INVESTMENT POLICY

In 2014, LATAM Airlines Group carried out capital market operations in order to maintain adequate levels of liquidity, closing in December 2014 with a liquidity ratio of approximately 12% of total sales.

In this context, LATAM successfully implemented a plan to reduce its short-term debt from approximately US\$840 million at end-2013 to approximately US\$327 million in December 2014. Together with this reduction of its short-term debt, LATAM also signed a line of credit in 2014 to finance pre-delivery payment of its undertaking to acquire 31 A321s with CFM56-5B3 engines and five A350s with Roll Royce engines. This line of credit was for US\$366 million of which it had used approximately US\$283 million by 31 December 2014. LATAM maintained an adequate level of liquidity for protection against potential external shocks and the industry's inherent volatility and cyclical nature.

Our long term objective is to have a leverage ratio of between 3.5x to 4.0x and maintain a liquidity level of approximately 15%.

In addition, it maintained lines of credit for a total of US\$210 million with local and overseas financial institutions which, as of end-2014, it had not used. During the year, it continued to finance out of its own resources an important part of pre-delivery payments for the Boeing and Airbus planes it will receive in the future. As of

Financial Policy



31 December 2014, LATAM Airlines Group held US\$1,533.8 million in cash and easily convertible securities and US\$336.1 million in advances on aircraft financed out of its own resources.

The aim of LATAM's Financial Investment Policy is to centralize investment decisions so as to optimize return adjusted for exchange-rate risk, subject to maintaining an adequate level of security and liquidity.

In addition, it seeks to manage risk through diversification of counterparties, maturities, currencies and instruments.

FINANCING POLICY

LATAM Airlines Group's Financing Policy is designed to centralize financing activities and ensure a balance between the useful life of its assets and debt maturity.

The vast majority of LATAM Airlines Group's investments correspond to fleet acquisition programs, which are generally financed using a combination of its own resources and structured long-term financial debt. Normally, LATAM finances between 80% and 85% through bank loans or bonds

guaranteed by export promotion agencies and the remainder through commercial loans or out of its own resources.

Maturities under the different financing structures vary from 12 to 16 years but, in the vast majority of cases, are 12 years. As an additional financing measure, an important percentage of LATAM's fleet acquisition undertakings take the form of operational leasing arrangements.

In the case of short-term financing, LATAM held around 4% of its total debt as of 31 December 2014 in the form of exporter/importer loans in order to finance working capital needs.

A further objective of the Financing Policy is to ensure a stable profile of debt maturity and rental commitments, including debt service and fleet rental payments, which is consistent with the LATAM Airlines Group's operating cash flows.

MARKET RISK POLICY

Due to the nature of its operations, LATAM Airlines Group is exposed to market risks such as: (i) fuel-price risk, (ii) interest-rate risk, and (iii) exchange-rate risk. In order to hedge completely or partially against these risks, LATAM uses different derivatives to fix or cap increases in the underlying assets. Market risk is managed in an integrated manner and takes into account the correlation between each exposure. In order to operate with counterparties, LATAM must have a line approved and an ISDA or LFC contract signed with the chosen counterparty. Counterparties must have a credit rating equivalent to at least A- issued by an international rating agency.

(i) Fuel-price risk
 Variations in fuel prices depend to an important extent on world oil supply and demand, decisions taken by the Organization of the Petroleum Exporting Countries (OPEC), world refining capacity and level of stocks as well as the occurrence or not of climatic phenomena and geopolitical factors. The Company buys aircraft fuel known as Jet Fuel 54. There is

Financial Policy

an international reference index for this underlying asset - the US Gulf Coast Jet 54. The hedging indices used by LATAM Airlines Group are principally Brent crude (BRENT) and the US Gulf Coast Jet 54.

LATAM's Fuel Hedging Policy restricts the minimum and maximum range of fuel to be hedged depending on its capacity to pass on changes in these costs and the market outlook as reflected in the fuel price. In addition, the Policy limits the maximum hedging period.

As instruments for fuel hedging, the Policy permits the use of swaps, collars, options, swaptions or combinations of these instruments.

(ii) Interest-rate risk of cash flow
 Variations in interest rates bear a strong relation to the international economic situation, with an improvement in the long-term outlook leading to an increase in long-term rates and a deterioration in the outlook prompting a drop due to market effects. In periods of economic contraction, governments also tend to reduce their benchmark interest rates in order to boost domestic demand by making credit more

accessible and to increase output (and, similarly, raise them at times of economic expansion).

Uncertainty as to how the market and governments will behave and, therefore, how interest rates may change implies a risk related to LATAM Airlines Group's floating-rate debt and its investments. The interest-rate risk associated with borrowing is equivalent to the risk of future cash flows on financial instruments due to fluctuations in market interest rates.

LATAM's exposure to variations in market interest rates is related principally to its long-term floating-rate liabilities.

In order to reduce the risk related to an increase in interest rates, LATAM Airlines Group has acquired interest-rate swaps and call options. The instruments that may be used under its Interest-Rate Hedging Policy are swaps, reverse swaps, call options and forward-start swaps.

(iii) Local exchange-rate risk
 The US dollar is the functional currency used by the LATAM for the prices of its services,

the composition of its classified financial situation and the effects on its operating results. There are two types of exchange-rate risk: flow risk and balance sheet risk. Flow risk arises as a result of the net position of revenues and costs in currencies other than the US dollar.

LATAM sells most of its services in US dollars, in prices equivalent to the US dollar or in Brazilian reais. Approximately 58% of its revenues are denominated in US dollars and approximately 29% in Brazilian reais. A large part of its costs are denominated in US dollars or equivalents to the US dollar. This is the case, particularly, of fuel costs, airport charges, aircraft rentals, insurance and aircraft components and accessories Remunerations, on the other hand, are denominated in local currencies. As a result, some 65% of LATAM's total costs are denominated in US dollars and approximately 23% in Brazilian reais.

The tariffs of LATAM Airlines Group's cargo and international passenger businesses are mostly set in US dollars while, in its domestic businesses, a mix exists. In Peru, sales are in local currency but prices are indexed to

Financial Policy



the US dollar while, in Brazil, Chile, Argentina and Colombia, prices are in local currency without any form of indexation and, in Ecuador, both tariffs and sales are in US dollars. As a result, LATAM is exposed to fluctuations in different currencies including, principally, the Brazilian real, the Chilean peso and the euro.

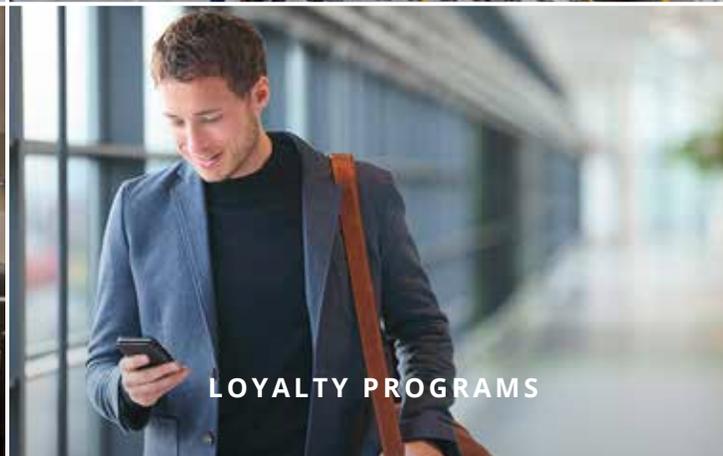
LATAM Airlines Group has hedged against exchange-rate risk by acquiring currency forwards. As of 31 December 2014, hedging for the Brazilian real for the period January-December 2015 reached US\$100 million.

LATAM's policy allows it to acquire derivatives to protect it against the possible appreciation or depreciation of currencies against the functional currency used by the parent company. Balance sheet risk occurs when items included there are exposed to variations in exchange rates because they are expressed in a currency other than the functional currency.

The main mismatch is in TAM S.A. whose functional currency is the Brazilian real while a large part of its liabilities are denominated in US dollars.

In 2014, in order to reduce the impact of appreciations or depreciations of the real against the US dollar on its results, LATAM carried out transactions that reduced the net dollar-denominated liabilities of TAM S.A. These operations included the reduction of its short-term debt in US dollars, a reduction in debt related to the fleet in line with the original repayment plan and an accelerated reduction in debt related to the fleet as a result of the transfer of the fleet and the corresponding debt from TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A.

LATAM's aim is to continue with these transactions in 2015 in order to achieve the maximum possible reduction in balance sheet exposure which, as of end-2014, reached less than US\$1,0 billion.



International Passenger Operations

LATAM Airlines Group's international passenger operations include both regional flights within South America and the Caribbean and long-haul flights connecting the region with the rest of the world.

LATAM Airlines Group's international passenger operations include both regional flights within South America and the Caribbean and long-haul flights connecting the region with the rest of the world. In 2014, the airlines that make up LATAM served a total of 24 international destinations (in addition to its domestic network) using a total fleet of 106 aircraft. During the year, they carried 13.6 million passengers, an increase of 0.8% as compared to the previous year, of which 7.9 million corresponded to regional routes and 5.7 million to long-haul routes.

In 2014, the international operation of LATAM occurred in a complex environment, resulting from the weaker global macroeconomic scenario; the increase in competition from operators to and within South America (where we highlight capacity redirections from Venezuela), with the resulting pressure on yields; and the decrease in demand for air travel due to the depreciation of some local currencies, principally the Argentine peso. In addition, the Soccer World Cup, which took place in Brazil, affected business and tourist demand not only domestically but also on routes to and from Brazil in June and July.

In order to address this situation, LATAM continued to focus on capacity discipline and deepened its revenue management strategy. As a result, consolidated passenger traffic on international flights increased by 1.2% in 2014 while capacity measured in ASK was reduced by 2.4%, resulting in a healthy load factor of 85.4%, up by 3.1 percentage points as compared to the previous year.

In 2014, important initiatives were implemented to improve the travel experience for international passengers.

These included the beginning of the process of retrofitting TAM's Boeing 777 fleet to include an improved business cabin and the increase in utilization of the Boeing 767s aircraft with a full-flat business cabin in order to offer corporate customers a better comfort on their long-haul flights. In addition, there was also a significant increase in the number of long-haul routes served by the new Boeing 787s, the largest and most modern aircraft in the category.

In October, following the expansion of Sao Paulo's Guarulhos airport, where LATAM Airlines Group is building its principal international hub, LATAM moved all of its international operations to the new modern Terminal 3, with significant reductions in connection times. Also, in November, LATAM opened its first VIP lounge at Guarulhos. With an area of over 1,800 m² and a capacity for up to 450 people, this is the largest lounge in South America and represents another important contribution to improving passengers' travel experience.

At the regional level, the airlines that make up LATAM served 27 destinations in 2014, using a fleet that mainly comprises aircraft



International Passenger Operations



from the Airbus A320 family and Boeing 767s. LATAM's broad network of coverage allowed it to achieve a 44.0% market share measured in terms of capacity (ASK) on the regional routes it operates (according to Miiro Di), consolidating its position as the leading airline in South America where its main competitors are Avianca, Aerolíneas Argentinas and GOL, with market shares of 22.6%, 11.4% and 9.8%, respectively.

In 2014, new regional routes were launched including Rosario-Sao Paulo, Córdoba-Sao Paulo and Montevideo-Rio de Janeiro, essentially with a feeder role but also in a bid to achieve leadership in secondary cities. In December, LATAM also increased its presence in the Caribbean with the launch of the Sao Paulo-Cancún-Rosario and Bogotá-Cancún routes.

In addition, it stimulated routes such as LAN Colombia's Bogotá-Lima route, where the number of flights increased from two to three per day, as well as the Santiago-Lima route, with an increase to nine flights per day, and the Santiago-Rio de Janeiro route, with one flight per day.

In September, LATAM Airlines Group launched a direct service from Lima to Asunción, Paraguay, with three flights per week, in order to stimulate the low air traffic between the two countries.

LAN's and TAM's differentiated value proposition as regard to service was once again recognized in the World Airline Awards where, in 2014, they won the first two places, respectively, in the Best South American Airline category. This award is based on the World Airline Survey, carried out annually by the prestigious British market research company Skytrax, and reflects the opinion of more than 18 million passengers of over 160 different nationalities.

This was the third consecutive year in which LAN was recognized as the Best South American Airline.

In regard to long-haul routes, the airlines that make up LATAM Airlines Group served 12 destinations in 2014, using a fleet consisting mainly of Boeing B767s, B787s and B777s. On routes between the United States and Latin America, LATAM reached a

International Passenger Operations

market share of 22.8% measured in terms of capacity (ASK) according to Miiio Di. On these routes, its main competitors are American Airlines, United Continental and Delta with market shares of 36.3%, 11.5% and 11.4%, respectively. On flights to Europe, LATAM had a 10.8% market share, also measured by Miiio Di in terms of capacity (ASK). In this case, it mainly competes with AirFrance-KLM and Iberia-British Airways, with market shares of 23.0% and 20.1%, respectively. On routes to Oceania, LATAM had a market share of 39% measured in terms of traffic where calculation of the competition's market shares includes indirect routes such as via Dubai in the Arab Emirates.

TAM's entry into the oneworld alliance on 31 March 2014 represented an important milestone for the LATAM's international passenger operations. As a result, all LATAM Airlines Group's passenger transport companies are now members of this global

alliance, which brings together the world's most prestigious airlines and is currently experiencing the largest expansion of its history.

Other important milestones for LATAM's international passenger operations in 2014 included new code-sharing agreements between LAN Colombia and Iberia and between LAN Perú and Korean Air on the Lima-Los Angeles-Seoul route, and the reinforcement of the existing code-share agreement between LAN and Qantas to boost flights between Australia and South America.

LATAM Airlines Group has announced that -in line with its strategic plan and its network pillar- it will be opening other new international routes from Latin America to North America and Europe in 2015 such as the Brasilia-Orlando, Sao Paulo-Toronto via New York, Sao Paulo-Barcelona and Santiago-Milan via Sao Paulo.

Argentina

LAN Argentina, which has now been in operation for nine years, has established a position as the second largest player in the country's domestic passenger market, which is dominated by the state-owned flagship Aerolíneas Argentinas with over a 70% market share. It has achieved this position thanks to its unfailing commitment to providing the highest safety, quality and service standards in the framework of a corporate strategy that focuses on offering customers the best travel experience.

In 2014, LAN Argentina served 14 domestic destinations, connecting Buenos Aires with the country's principal provincial capitals: Bahía Blanca, Bariloche, Calafate, Comodoro Rivadavia, Córdoba, Iguazú, Mendoza, Neuquén, Río Gallegos, Salta, San Juan, Tucumán and Ushuaia. In the second half of the year, operational rescheduling meant the temporary suspension of flights on the Buenos Aires-Bahía Blanca route until January 2015.

The 2.3 million domestic passengers that LAN Argentina carried in 2014 represented an increase of 0.5% on the previous year and were equivalent to a market share of close to 27% according to MIDT, down by 3.2 percentage points. Consolidated traffic measured in

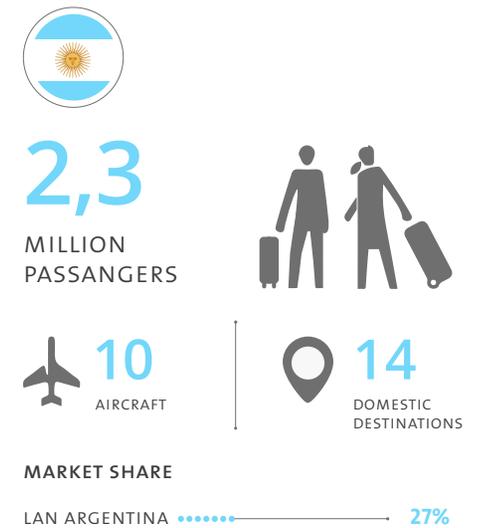
passenger-kilometers (RPK) was up by 2.8% while capacity (ASK) was down by 0.6%. This gave a load factor of 75.5% which represented an increase of 2.5 percentage points on 2013.

For its domestic flights, LAN Argentina uses a fleet of ten Airbus A320s which are considered the most efficient in the local industry for operations of this type and have the widest and most comfortable passenger cabin in the category.

At the end of 2014, Argentina's National Civil Aviation Administration (ANAC) authorized the incorporation into LAN Argentina's fleet of a new aircraft from this family to replace an older aircraft. This represented an important milestone for the LATAM's domestic operation because, since 2011, it had not been allowed to incorporate aircraft to modernize its fleet nor to bring in aircraft provisionally for maintenance purposes.

LAN Argentina is based in Buenos Aires at the Ministro Pistarini (Ezeiza) and Jorge Newbery airports. The latter, more commonly referred to as Aeroparque, is the country's most important domestic passenger terminal. At this airport, LAN Argentina has a hangar whose ongoing

use by the Company was ratified by Argentina's Supreme Court on 30 December 2014 when it rejected a request from the National Airport System Regulator (ORSNA) which had sought to oblige it to vacate the premises.



Brazil

With 93 million passengers flying within the country in 2014, Brazil is by far South America's largest domestic market and the fourth largest in the world after the United States, China and Japan, according to the International Air Transport Association (IATA).

In 2014, TAM carried 33.3 million passengers on domestic routes, up by 0.4% on the previous year, and maintained its leading position with a 38.1% market share measured in RPK according to ANAC. In addition, TAM maintained its leadership in the corporate passenger segment, with a share of 32.7% of total sales in this segment. Its principal competitors are GOL and Azul with 36.1% and 16.7%, respectively.

In order to serve its 42 destinations within Brazil, TAM used a fleet of 115 aircraft from the Airbus A320 family, including 16 A321s which allow it to cover the busiest routes with greater efficiency. In 2014, six new aircraft of this model, the most modern and efficient in the family, were incorporated as well as TAM's first A320 Space-Flex whose configuration significantly improves the pitch of the first four rows, maximizing space and offering passengers greater comfort.

Domestic passenger operations in Brazil faced complex macroeconomic conditions in 2014, due principally to the economy's deceleration (GDP grew just 0.14%), inflationary pressures (6.4% annual inflation) and depreciation of the real (9.1%), all of which had a negative impact on demand for air travel, particularly in the business segment. However, the single most important impact was that of the Soccer World Cup, which took place in Brazil in June and July. It meant an important reduction in business and tourist demand within Brazil during these two months to which TAM responded by reducing its capacity by 5% and 7%, respectively.

In annual terms, TAM reduced its capacity measured in ASK by 1.4% (which followed a reduction of 8.4% in 2013) in line with its plan of capacity discipline, improved market segmentation and revenue management practices launched in 2012. On the other hand, demand measured in RPK grew by 1.1%, giving a load factor of 81.7%, up by 2.0 percentage points on the already high level achieved by TAM in 2013 and above the industry average of 79.8%.

In 2014, TAM launched flights on three new routes: Joao Pessoa-Salvador, Brasilia-Macapá and Porto Seguro-Brasilia. Taking advantage of the modernization and expansion of the airport in Brasilia, which implied an increase in its capacity from 16 million to 21 million passengers per year, TAM also advanced with the development of its hub there, mainly for domestic operations. Following the opening



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MILLION
PASSANGERS



115
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42
DOMESTIC
DESTINATIONS

MARKET SHARE



Brazil

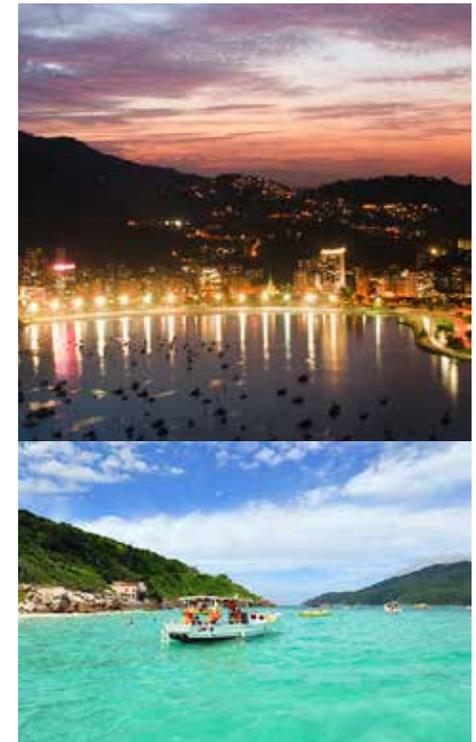
of the new Terminal 2 (Pier Sul) exclusively for domestic flights, TAM moved its operations to that terminal in the second half of the year. This has allowed the reduction of stop-over times for passengers with connecting flights and, in this way, the development of connectivity in the domestic market. Today, TAM serves over 30 destinations from Brasilia, connecting it with more than 180 destinations around the country.

On the other hand, at the end of the year TAM announced its decision to operate in the regional market in Brazil, as part of the Group's strategy, independent of any regulatory changes that may be implemented by the Brazilian government through the Regional Aviation Development Program (PDAR). TAM plans to add service to between 4 and 6 new regional destinations every year, starting in 2015. For this purpose, the airline is currently

in advanced stages of negotiations with aircraft manufacturers for orders of new generation smaller aircraft to be delivered starting in 2018.

In addition, TAM and Passaredo signed a codeshare agreement, which will provide TAM with an even higher capillarity, continuing its strategy of widening its regional network.

In all, LATAM Airlines Group's operation in the domestic Brazilian market in 2014 was successful and profitable, with TAM maintaining its leadership and improving its punctuality indicators. This was reflected in increased customer satisfaction and, for the second consecutive year, TAM won the Top of Mind airline prize.



Chile

During 2014, and after 85 years of operation in Chile, LAN Airlines maintained its leading position in the domestic market. In 2014, LAN carried 7.2 million passengers within Chile, up by 4% compared to 2013, and reported a 1.0 percentage point increase in its market share, reaching 77.9% according to the Junta Aeronáutica Civil. On domestic routes, its main competitor is Sky Airline, with a 20.2% market share.

Over the past five years, the number of passengers carried by LAN Airlines within Chile has shown a significant increase, with an average annual growth rate of 14%.

Although LAN showed a healthy performance in terms of traffic, it had to adjust its growth to reflect the reduced dynamism of the domestic market in 2014, which was a result of the deceleration of the Chilean economy and the suspension or postponement of investment projects which mainly affected routes serving the mining industry in northern Chile.

Consolidated passenger traffic (RPK) increased by 4.7% and capacity (ASK) increased by 1.5% as compared to the previous year. As a result, the average load factor increased by 2.5 percentage points to 82.5%, its highest level in ten years.

LAN Airlines serves 16 destinations throughout Chile, using a modern fleet of 28 aircraft from the Airbus A320 family to which, in December, it incorporated its first Airbus A321, the largest and most modern aircraft in this family. This will enhance the efficiency of the company's domestic operations as well as significantly reduce CO2 emissions.

In regard to service standards, LAN achieved a punctuality rate of over 90% on domestic flights in 2014, measured in accordance with the standards of the International Air Transport Association (IATA). This was its best performance in five years.

Among other initiatives implemented during 2014, LAN Airlines launched a new electronic boarding card system for smartphones in May, simplifying the check-in process. In addition, since November, passengers flying on domestic flights are authorized to keep their mobile phones and tablets switched on in flight mode throughout the entire flight, positioning Chile as the first country in South America to adopt this measure and improving passengers' travel experience.



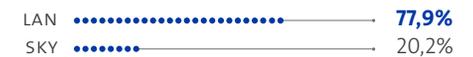
7,2
MILLION
PASSANGERS



28
AIRCRAFT

16
DOMESTIC
DESTINATIONS

MARKET SHARE



Colombia

Since it started its operations as LAN Colombia in 2012, the company has gradually established a position as one of the leading players in a domestic market that is considered among the most competitive in Latin America. Thanks to different measures designed to achieve brand recognition and customer loyalty, LAN Colombia has achieved over 10% annual growth on the routes it operates and today carries around 43% more passengers than three years ago.

In its third year of operations as LAN Colombia, the company carried 4.4 million domestic passengers. This represented an increase of 10% as compared to the previous year and positioned it as the country's second largest operator with a 19.1% market share measured in passengers carried according to Aerocivil, after Avianca with 60.1%. Other competitors include VivaColombia (9.6%), Satena (4.0%) and EasyFly (3.5%).

Consolidated passenger traffic (RPK) increased by 20.1% in 2014 while capacity increased by 21.4%, resulting in a load factor of 78.7%, 0.9 percentage points below 2013. Colombia was the country where LATAM Airlines Group increased its capacity the most in 2014, in

a context of GDP growth of 4.8%, which positioned Colombia as one of the region's fastest-growing economies.

LAN Colombia currently operates 24 routes within Colombia, serving 20 cities and offering a high level of connectivity from Bogotá and Medellín. The routes from Bogotá to Medellín, Cali, Cartagena, Bucaramanga and Barranquilla, in that order, account for over half of LAN Colombia's passenger volume.

Starting in July, the company expanded its domestic services, increasing its services to five cities including Cartagena, Cali, Santa Marta, San Andrés and Cúcuta as part of a strategy of penetrating cities where Copa Airlines had cut flights. This strategy aims to increase LAN Colombia's share in the Colombian market by between 2% and 4% and, for this purpose, it incorporated an additional Airbus A320 aircraft.

In November, LAN Colombia also began to offer two direct flights a week (three as from February 2015) between Medellín and San Andrés, a route previously served by only one operator. This represents a further step in the decentralization of the company's domestic operations and serves to boost one of the



4,4
MILLION
PASSANGERS



19
AIRCRAFT

20
DOMESTIC
DESTINATIONS

MARKET SHARE



Colombia

country's most popular tourist destinations. In this way, LAN Colombia reached 24 flights per week to San Andrés from Bogotá, Cali or Medellín.

In regard to fleet, LAN Colombia ended 2014 with a fleet of 14 Airbus A320s, each with a capacity for 174 passengers. This followed the completion of its fleet renewal process with the incorporation of six aircraft from this family for its domestic operations and the withdrawal from service of its last Boeing 737s (inherited from Aires) during the first half of the year. The incorporation of this new Airbus aircraft represented an increase of 9.5% in seat availability and reduced the age of the fleet, with the consequent reduction in maintenance times and improvement in the punctuality of the company's operations.

LAN Colombia's fleet renewal plan will finish in 2015 with the expiry of the lease contracts for the seven Dash 8-200s, with a capacity for 37 passengers, that it inherited from Aires and currently uses on the so-called regional routes within Colombia. As part of the process of returning these planes, LAN Colombia plans to start operations with Airbus A320s in Neiva and Villavicencio while operations on routes where



it is not possible to operate Airbus aircraft will be gradually suspended during 2015.

In regard to service standards, LAN Colombia consolidated its position as the country's most punctual airline in 2014. This was a result of the investments and efforts deployed by the company since its arrival in the country in the framework of a strategy that focuses on offering passengers the best value

proposition. According to the latest Airline Compliance Report of Colombia's Civil Aviation Administration, LAN Colombia won the first place in punctuality in January-September 2014, with an average 94% of compliance, 11 points ahead of the airline in second place.

Ecuador

Since it launched its domestic passenger operations in Ecuador in 2009, LAN Ecuador has gradually established itself as an important operator on routes within the country. This has been possible thanks to its constant efforts to offer passengers the best product in terms of safety, reliability and service.

It currently serves five destinations through the Quito-Guayaquil and Quito-Cuenca routes and the Quito/Guayaquil route to the San Cristóbal and Baltra Islands in the Galápagos, offering connectivity that seeks to promote tourism and the country's economic development. In the first half of the year, domestic flights were restructured in order to reinforce the corporate route between Guayaquil and Quito, and also to increase and improve services between Cuenca and Quito. This allowed LAN Ecuador to leverage its results and achieve its target in terms of margin.

In 2014, LAN Ecuador transported 1.1 million domestic passengers, a decrease of 15.6% as compared to the previous year. This occurred in a market in which domestic commercial flights showed a drop of over 8%. In this context, however, the company positioned itself

as the leading airline, with a market share of 36.5%, ahead of the flagship Tame airline, with 34.58%, and Avianca, with close to 29%.

LAN Ecuador's consolidated passenger traffic was down by 9.5% in 2014. However, a 21.5% reduction in capacity meant that average load factor reached 81.2%, up by 10.8 percentage points as compared to 2013. In line with this capacity adjustment, the Airbus fleet used for domestic and regional flights was gradually modified, replacing its five Airbus A320s with five A319s with fewer seats. Three of the A319s are used exclusively for domestic services.

In a sign of its commitment to the country, during 2014 LAN Ecuador signed a collaboration agreement with the Cuenca Municipal Tourism Foundation for the second consecutive year. This agreement seeks to promote tourism in one of the country's most popular destinations. At the beginning of the year, it also launched a strategic operation with Silversea, a luxury cruise operator, in the Galápagos.



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DOMESTIC
DESTINATIONS

MARKET SHARE



Peru

Over the past six years, Peru has been South America's fastest-growing economy, achieving an average annual growth rate of 5.2% as compared to a regional average of 3.8%. In 2014, Peru's growth was 2.4%.

The combination of economic modernization, a healthy level of inflation, a positive trade balance, an abundance of natural resources, ongoing improvements in economic management and political stability are helping Peru to emerge as one of Latin America's most stable economies. In this context, the domestic airline industry grew by 8% in 2014 in terms of domestic passengers transported in Peru. LAN Perú carried around 5.7 million people, with consolidated passenger traffic (RPK) increasing by 7.3% and capacity (ASK) increasing by 6.8% as compared to 2013. The load factor also increased in the year reaching 81.3%, up by 0.4 percentage points as compared to 2013 and ahead of the industry average.

In 2014, LAN Perú completed 15 years of operations and, to celebrate its anniversary, launched internal and external corporate branding campaigns in both the written press and on television. After six years in which it had not opened new routes, the company also started operations in Ayacucho and Talara, increasing

the total number of domestic destinations it serves, which totalled 16 as of December 2014. The opening of these routes reinforces LAN Perú's commitment to increasing connectivity and mobility within the country.

LAN Perú continues to be the leading airline in the Peruvian market, with a 63,2% market share according to the DGAC. On domestic routes, its main competitors are Avianca (13,0%), Peruvian Airlines (12,2%) and Star Perú (7,0%). However, LAN Perú stands out for its greater variety of destinations, frequencies and services, as well as its high level of punctuality. In 2014, it achieved the highest punctuality of the last five years, thanks to the incorporation of "Operational Rules".

In addition, during 2014 the company began to sell "Favorite Seats" on all domestic routes to and from Lima and continued to offer an extended schedule of flights to Cusco, one of the region's most important destinations. This extended schedule is one of the competitive advantages of the LAN Perú's services for both local and international travelers and is in line with the objective of stimulating passenger traffic to this tourist destination.

In 2014, LAN Perú operated a fleet of 18 aircraft,



5,7

MILLION
PASSANGERS



18
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14

DOMESTIC
DESTINATIONS

MARKET SHARE



Peru

comprising 11 Airbus A319s and seven Airbus A320s. In line with efficient management of the business, important fuel consumption efficiency projects were implemented and are expected to deliver annual savings of 3.2 million gallons on the domestic operation.

In order to maintain close ties with clients, one of LAN Perú's objectives is to increase its face-to-face points of sale around the country. In line with this, the company efficiently expanded its infrastructure and reach in the domestic market during 2014, increasing the capacity of modules and sales offices by 10%.

Like the other airlines that constitute LATAM Airlines Group, LAN Perú has a focus on providing its customers with the best service. In this context, it continued to implement changes related to the LEAN work philosophy in 2014, seeking to improve and simplify airport processes and achieve operational efficiency gains, strengthening the value proposition for its offers customers. In 2014, LAN Perú also continued to make progress in its objective of being a socially responsible company by compensating its carbon footprint and conscientiously managing its CO2 emissions, which it has reduced by 25% since 2012.



Cargo Operation

LATAM Airlines Group and its subsidiaries are the largest air cargo operator in Latin America and, especially in Brazil. LATAM offers its clients the most extensive connectivity within the region and the rest of the world, with 144 destinations in 26 countries.

LATAM Airlines Group and its subsidiaries are the largest air cargo operator in Latin America and, especially in Brazil. LATAM offers its clients the most extensive connectivity within the region and the rest of the world, with 144 destinations in 26 countries. LATAM transports cargo in the bellies of 307 passenger aircraft as well as in 13 freighters as of December 2014 (four B777-200Fs and nine B767-300Fs, one of which will be leased to another cargo operator in 2015).

LATAM's cargo business model is based on the optimization of the belly capacity of its passenger planes which, combined with the efficient operation of freighters, allows it to operate routes profitably, adjusting its operations to the economic cycle and increasing load factors. The scope and connectivity of its network, the flexibility of being able to transport cargo in passenger aircraft as well as freighters, and LATAM's modern infrastructure are advantages that enable it to offer services tailored to market needs.

In 2014, LATAM, at a consolidated level, transported 1.1 million tons of cargo, down by 3% compared to 2013, while its capacity

measured in ATK dropped by 5.6%. As a result, the load factor rose by 1.4 percentage points, reaching 59.8%.

The reduction in tons transported was mainly a result of the challenging context faced in the region's air cargo markets. In 2014, demand for imports on routes from the United States to Latin America decreased by 3% as compared to the previous year, with Brazil being the most affected country due to the impact of the SoccerWorld Cup, the uncertainty related to the presidential election and the country's low economic growth. In addition, export markets from Latin America showed a contraction of 2%, explained mainly by a weak seed season in Chile that, where tons transported decreased by approximately 75% as compared to 2013. Apart from this specific case, other commodities showed healthy growth as in the case of asparagus from Peru, fish from Chile, flowers from Colombia and Ecuador and fruit from Argentina and Chile which, in the latter case, had an excellent season with very important traffic growth to Asia.

The ATK reduction was explained by structural changes in the itinerary of passenger planes used to transport cargo and by discipline in

the cargo fleet in the face of aggressive global and regional competition. This was a result of excess capacity on both passenger and cargo flights in the region.

In response to this situation, LATAM's strategy in 2014 focused on the integrated optimization of the belly and freighter network, combined with a constant quest for efficiency in its operating costs and support areas, and the development and improvement of the processes, systems and infrastructure of its cargo business.

In regard to its international cargo operations, the network was optimized by enhancing connecting cargo, mainly at Sao Paulo's Guarulhos airport (where connecting tons increased by 13%) and expanding the network's coverage. For example in Asia, LATAM expanded its coverage through agreements with Asian airlines and also opened a new office in Hong Kong. In addition, the good season for exports of fruit meant a 21% increase in the volume transported of this product as compared to the previous year.

These efforts were reflected in the constant use of the bellies of passenger aircraft on

Cargo Operation



international routes where the load factor increased by 7 percentage points in two years, reaching 67.4% in 2014.

The freighter fleet was also resized in line with the objectives of supporting belly and maximizing profitability. Four Boeing 767-300Fs with a low utilization level were taken out of service, including one whose lease contract expired and three that were sub-leased to another operator outside Latin America starting in the end of the year. With the remaining fleet, priority was given to those operations that generate direct and indirect revenue synergies (for example, regional cargo operations between Brazil, Argentina and Chile or the Tucumán-Guarulhos route for connecting fruit cargo to North America and Europe). As a result, the contribution of cargo to belly profitability showed an increase of 67% on 2013.

In the case of domestic cargo operations, Brazil is particularly important. TAM Cargo continues to be the leading player in that market with a market share of around 50%, despite increased competition. In order to maintain its leading

position, TAM Cargo invested around US\$18 million in Brazil in infrastructure, service and security, including the construction of a new freight terminal at Guarulhos airport and the acquisition of state-of-the-art technology to minimize delivery times and have greater security at key freight terminals.

In an intent to increase competitiveness throughout its network, synergies were also achieved with LATAM Airlines Group's cargo subsidiaries (LAN Cargo, Mas Air and TAM Cargo), taking advantage of each subsidiary's key strengths and finding synergies in LATAM's operational and corporate support areas. This resulted in annual efficiency gains of US\$5 million. In addition, processes were simplified using the LEAN methodology to obtain important operational efficiency gains and, similarly, organizational structures were simplified taking into account the long-term challenges.

In all, 2014 was a year of value construction for the LATAM Airlines Group's cargo business, which is in line with its long-term strategy of strengthening competitiveness, optimizing the

integrated network of freighters and passenger aircraft, increasing the agility and efficiency of connectivity, improving the value proposition for its clients, optimizing its product portfolio and striving for excellence and operational efficiency.

Loyalty Programs

In 2014, LAN and TAM continued to operate their respective loyalty programs - LANPASS and TAM Fidelidade - independently. However, passengers registered with the two programs were able to earn and redeem kilometers/points on any flight in the network administrated by the two airlines and their associated airlines.

At the same time, LATAM Airlines Group continued working in order to standardize the two programs in line with the process of homogenization to which LATAM is committed across all areas of its operations. At a service level, top tier members in each program are already recognized by the other program so, for example, LANPASS members can obtain upgrades on TAM flights and members of TAM Fidelidade on LAN flights. In addition, both may have access to the same airport services.

LANPASS is the frequent flyer program created by LAN in 1984 to reward the preference and loyalty of its passengers through different benefits. Members of the program can exchange LANPASS kilometers for free tickets as well as different products from the program's catalogue or other options such as gift cards from certain retail stores. The program includes four "elite" categories - Comodoro Black ("Black" as from March 2015), Comodoro, Premium Silver and Premium, which offer exclusive benefits to reward the loyalty of those members who are frequent flyers of the oneworld alliance. These categories have their equivalents in this alliance where Ruby corresponds to the Premium

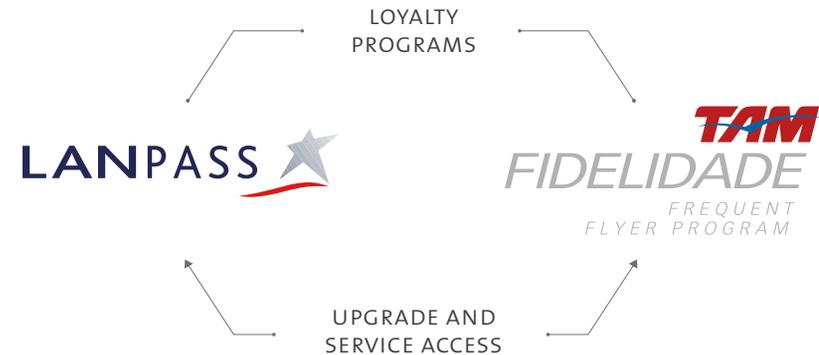
category, Sapphire to Premium Silver and Esmerald to Comodoro and Black.

Members of the program earn LANPASS kilometers every time they fly with LAN, TAM or any of the airlines in the oneworld alliance as well as when shopping with or using the services of companies around the world which have an agreement with it. In 2014, Santander and LANPASS renewed their exclusive cobranding contract in Chile for five more years (2016-2020). Over the past 20 years, this

agreement has allowed thousands of LANPASS members to earn kilometers that may be used for flights within Chile and around the world.

As of December 2014, LANPASS had 9.8 million members, an increase of 15% compared to 2013, principally in Chile, Peru, Argentina, Colombia, Ecuador and the United States.

TAM established TAM Fidelidade, Brazil's first frequent flyer program, in 1993. The program is also designed to reward those passengers who



Loyalty Programs

fly regularly with the airline, through different benefits and exclusive offers. Members earn points each time they fly with TAM, LAN or any of the airlines that form part of the oneworld alliance which TAM joined on 31 March 2014 (after previously belonging to Star Alliance).

Points can also be exchanged for an upgrade if there's seat availability. As of December 2014, TAM Fidelidade had 11.7 million members, which represented an increase of 8% as compared to 2013. The program includes four elite categories - Azul, Vermelho, Vermelho Plus and Black - which now have their equivalent categories in the oneworld alliance - Ruby for Azul, Sapphire for Vermelho and Emerald for Vermelho Plus and Black - giving members access to more benefits, including that of priority on the waiting list of any airline in the oneworld alliance.

TAM Fidelidade is administrated by Multiplus, a company listed on the Sao Paulo stock

exchange in which LATAM Airlines Group is the main shareholder with a 73% stake. Multiplus is Brazil's largest and best loyalty network and allows members to accumulate Multiplus points in a single account, directly or indirectly (by transferring from an affiliated program) at more than 13,000 stores. Points can be exchanged for over 550,000 different products and services. As of December 2014, the Multiplus network comprised over 400 partners and had around 13.8 million members.

Among the innovations done in 2014, TAM Fidelidade and TAM Viajens launched a new product, known as Points + Money, which allows members to redeem tickets as from 1,000 Multiplus points as well as increasing the number of redemption alternatives and providing access to better experiences and offers at TAM.



Property, Plant and Equipment

HEADQUARTES

Our main facilities are located near the Comodoro Arturo Merino Benítez International Airport. The complex includes office space, conference space and training facilities dining facilities and mock-up cabins used for crew instruction.

Our corporate offices are located in a more central location in Santiago, Chile.

MAINTENANCE BASE

Our maintenance base is located on a site inside the grounds of the Comodoro Arturo Merino Benítez International Airport. This facility contains our aircraft hangar, warehouses, workshops and offices, as well aircraft parking area capable of accommodating up to 30 short-haul aircraft or 10 long-haul aircraft.

MIAMI FACILITIES

We occupy site at the Miami International Airport that has been leased to us by the airport under a concession agreement. Our facilities include corporate building of around 4,450m², a cargo warehouse (including meter cooling area) of around 35,000m² and aircraft-parking platform of around 72,000m², apart

from totally equipped offices. In addition, during 2014, LATAM began the construction of its first maintenance hangar in Miami, with an estimated surface of 6,200m²; 1,600m² of warehouses and workshops; and 1,350m² for administrative purposes.

OTHER FACILITIES

We own a flight-training center on the side of the Comodoro Arturo Merino Benítez International Airport. We have also developed a recreational facility for our employees with Airbus' support. The facility, denominated "Parque LAN," is located on land that we own near the Comodoro Arturo Merino Benítez International Airport.

LAN PERU'S PROPERTY, PLANT AND EQUIPMENT

LAN Peru has approximately 19,000 m² built. All facilities are leased and are distributed as follows:

Administrative Offices: 7,000 m²
 Sales Offices: 2,000 m²
 Concessions airports: 10,000 m²

LAN COLOMBIA'S PROPERTY, PLANT AND EQUIPMENT

LAN Colombia has approximately 27,500 m² built. All facilities are leased and are distributed as follows:

Administrative Offices: 4,500 m²
 Sales Offices: 1,700 m²
 Concessions airports: 21,300 m²

LAN ECUADOR'S PROPERTY, PLANT AND EQUIPMENT

LAN Ecuador has approximately 14,500 m² built. All facilities are leased and are distributed as follows:

Administrative Offices: 1,600 m²
 Sales Offices: 1,000 m²
 Concessions airports: 11,900 m²

LAN ARGENTINA'S PROPERTY, PLANT AND EQUIPMENT

LAN Argentina has approximately 18,000 m² built. All facilities are leased and are distributed as follows:

Administrative Offices: 6,600 m²
 Sales Offices: 2,600 m²
 Concessions airports: 8,700 m²

Property, Plant and Equipment

HEADQUARTERS

TAM's main facilities are located in São Paulo, in hangars within the Congonhas Airport and nearby. At Congonhas Airport, TAM leases hangars belonging to INFRAERO (the Local Administrator Airport): Hangar VII, Hangar VIII, Hangar III. The Service Academy is located about 2.5 km from Congonhas Airport, is a separate property which TAM owns, exclusively for the areas of Selection, Medical Service, Training, and Mock-ups.

BASE MAINTENANCE

At Hangars II and V in Congonhas Airport, which TAM has offices and hangars. This site also houses the areas of Aircraft Maintenance, Procurement and Logistics of Aeronautical Materials.

OTHER FACILITIES

In São Paulo, TAM has other facilities such as: Commercial Headquarters, Uniform Building, Morumbi Office Tower and a Call Center Building. Besides, in São Paulo, TAM has the offices belonging to the Group as: Multiplus Office, TAM Viagens Office, one store of TAM Viagens and Bahia state. In Guarulhos, TAM has a Passenger Terminal, Operational Areas such as Check-in, Ticket Sales, Check Out, Operations Areas, VIP Lounges, Aircraft Maintenance, GSE, Cargo Terminal, Distribution Centers, etc.





Industry Overview

This improvement in airlines' results was possible thanks to the consolidation and capacity discipline seen in most regions which have been key for the success of operations.

In 2014, the global airline industry was impacted by both positive and negative factors. The former included a drop in fuel prices to an average of US\$113/barrel (jet fuel) and a slight expansion of the eurozone after its crisis of previous years, while the negative factors included the important depreciation of many local currencies against the dollar and the deceleration of some major economies, particularly China and Brazil.

Despite these opposing forces, 2014 was a good year for the industry as a whole. This was reflected in a 5.9% increase in passenger traffic - above the average for the last ten years and with increases in demand in all the world's different regions - and a significant improvement in the industry's operating results and profits which are estimated to have reached US\$19.9 billion (as compared to US\$10.6 billion in 2013).

This improvement in airlines' results was possible thanks to the consolidation and capacity discipline seen in most regions which have been key for the success of operations.

At a domestic and regional level, there continues to be a trend towards the low-

cost model, which has shown a significant expansion, and greater segmentation of passengers according to their travel needs.

There also continues to be a trend towards the strengthening of alliances and cooperation agreements among the world's airlines which has improved connectivity for passengers.

North American airlines performed well in 2014 and, with their strengthened position and focus on profitability, once again achieved the best results globally, in a much less fragmented and more disciplined industry, with better labor relations and supported by the creation of increased ancillary revenues.

In Europe, growth of traffic was driven by low-cost airlines while the major airlines showed greater capacity discipline, focusing on implementation of their cost restructuring programs. Although the economic context was a little more favorable than in previous years, difficulties persisted, principally due to the crisis between Russia and the Ukraine.

Traffic growth was highest in the Asia-Pacific region, where it was also driven by low-cost airlines and increased domestic demand,



principally in China, despite the deceleration of this country's economy. Currencies depreciated strongly against the dollar and competition intensified, principally with Middle Eastern operators on routes to Europe.

The deceleration of Latin American economies, with the resulting strong depreciation of local currencies, and increased competition due to the arrival of new operators to the region, exerted pressure on operators' unit revenues in 2014. The crisis in Venezuela also meant that some operators diverted capacity to other countries in the region with the resulting pressure on tariffs. Despite this challenging

Industry Overview

context - which also included the Football World Cup in Brazil in June and July - Latin American operators reported positive results in which capacity discipline, principally in Brazil, was a key factor.

In the case of the cargo business, traffic showed a significant improvement, accelerating from 1.4% growth in 2013 to 4.5% in 2014, driven by stronger international trade in the second half of the year. However, this improvement occurred principally in Asia-Pacific and the Middle East while cargo traffic in Latin America remained weak, due mainly to lower imports in Brazil.

One of the key events of 2014 was the drop in the price of jet fuel in the latter part of the year, which meant an annual average of US\$113/barrel, down by more than 8% on the previous year. The impact of this drop, although positive

for the airline industry as a whole, differed by region depending on the strength/weakness of their economies and currencies and the level of competition. In some cases, hedging also meant that much of the benefit of lower fuel prices was not captured. In 2015, fuel prices are expected to remain low, benefiting airlines.

Given the industry's current structure and the fuel price outlook, the International Air Transport Association (IATA) anticipates an increase in global returns in 2015, with the industry's profits reaching US\$25 billion. It is important to note that global traffic growth would continue to be driven by emerging economies, principally in Asia-Pacific, the Middle East and Latin America. Due to their economic growth outlook and the still low penetration of air travel in these countries, this trend is expected to persist over the next 20 years.



Regulatory Framework

We have obtained and maintain the necessary authority from the Chilean government to conduct flight operations, including authorization certificates from the JAC and technical operative certificates from the DGAC.

CHILE'S AERONAUTICAL REGULATION

Both the DGAC and the JAC oversee and regulate the Chilean aviation industry. The DGAC reports directly to the Chilean Air Force and is responsible for supervising compliance with Chilean laws and regulations relating to air navigation. The JAC is the Chilean civil aviation authority.

Primarily on the basis of Decree Law No. 2,564, which regulates commercial aviation, the JAC establishes the main commercial policies for the aviation industry in Chile, regulates the assignment of international routes, and the compliance with certain insurance requirements, and the DGAC regulates flight operations, including personnel, aircraft and security standards, air traffic control and airport management.

We have obtained and maintain the necessary authority from the Chilean government to conduct flight operations, including authorization certificates from the JAC and technical operative certificates from the DGAC, the continuation of which is subject to the ongoing compliance with applicable statutes,

rules and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future.

Chile is a contracting state, as well as a permanent member, of the ICAO, an agency of the United Nations established in 1947 to assist in the planning and development of international air transport.

The ICAO establishes technical standards for the international aviation industry, which Chilean authorities have incorporated into Chilean laws and regulations.

In the absence of an applicable Chilean regulation concerning safety or maintenance, the DGAC has incorporated by reference the majority of the ICAO's technical standards. We believe that we are in material compliance with all relevant technical standards.

ROUTE RIGHTS

Domestic Routes.

Chilean airlines are not required to obtain



Regulatory Framework

permits in connection with carrying passengers or cargo on any domestic routes, but only to comply with the technical and insurance requirements established respectively by the DGAC and the JAC. There are no regulatory barriers that would prevent a foreign airline from creating a Chilean subsidiary and entering the Chilean domestic market using that subsidiary. On January 18, 2012 the Secretary of Transportation and the Secretary of Economics of Chile announced the unilateral opening of the Chilean domestic skies. This was confirmed in November 2013 and is valid as of today.

International Routes.

As an airline providing services on international routes, LAN is also subject to a variety of bilateral civil air transport agreements that provide for the exchange of air traffic rights between Chile and various other countries. There can be no assurance that existing bilateral agreements between Chile and foreign governments will continue, and a modification, suspension or revocation of one or more bilateral treaties could have a material adverse effect on our operations and financial results.

International route rights, as well as the corresponding landing rights, are derived from a variety of air transport agreements negotiated between Chile and foreign governments. Under such agreements, the government of one country grants the government of another country the right to designate one or more of its domestic airlines to operate scheduled services to certain destinations of the former and, in certain cases, to further connect to third-country destinations.

In Chile, when additional route frequencies to and from foreign cities become available, any eligible airline may apply to obtain them. If there is more than one applicant for a route frequency the JAC awards it through a public auction for a period of five years. The JAC grants route frequencies subject to the condition that the recipient airline operate them on a permanent basis. If an airline fails to operate a route for a period of six months or more, the JAC may terminate its rights to that route. International route frequencies are freely transferable. In the past, we have generally paid only nominal amounts for international route frequencies obtained in uncontested auctions.

AIRFARE PRICING POLICY.

Chilean airlines are permitted to establish their own domestic and international fares without government regulation. For more information, see “—Antitrust Regulation” below.

In 1997, the Antitrust Commission approved and imposed a specific self-regulatory fare plan for our domestic operations in Chile consistent with the Antitrust Commission’s directive to maintain a competitive environment.

According to this plan, we must file notice with the JAC of any increase or decrease in standard fares on routes deemed “non-competitive” by the JAC and any decrease in fares on “competitive” routes at least twenty days in advance. We must file notice with the JAC of any increase in fares on “competitive” routes at least ten days in advance.

In addition, the Chilean authorities now require that we justify any modification that we make to our fares on non-competitive routes. We must also ensure that our average yields on a non-competitive route are not

Regulatory Framework

higher than those on competitive routes of similar distance.

REGISTRATION OF AIRCRAFT

Aircraft registration in Chile is governed by the Chilean Aeronautical Code (“CAC”). In order to register or continue to be registered in Chile, an aircraft must be wholly owned by either:

a natural person who is a Chilean citizen; or

a legal entity incorporated in and having its domicile and principal place of business in Chile and a majority of the capital stock of which is owned by Chilean nationals, among other requirements established in article 38 of the CAC.

The Aeronautical Code expressly allows the DGAC to permit registration of aircraft belonging to non-Chilean individuals or entities with a permanent place of business in Chile. Aircraft owned by non-Chileans, but operated by Chileans or by an airline

which is affiliated with a Chilean aviation entity, may also be registered in Chile. Registration of any aircraft can be cancelled if it is not

in compliance with the requirements for registration and, in particular, if:

the ownership requirements are not met; or

the aircraft does not comply with any applicable safety requirements specified by the DGAC.

SAFETY

The DGAC requires that all aircraft operated by Chilean airlines be registered either with the DGAC or with an equivalent supervisory body in a country other than Chile. All aircraft must have a valid certificate of airworthiness issued by either the DGAC or an equivalent non-Chilean supervisory entity. In addition, the DGAC will not issue maintenance permits to a Chilean airline until the DGAC has assessed the airline’s maintenance capabilities.

The DGAC renews maintenance permits annually, and has approved our maintenance operations. Only DGAC-certified maintenance facilities or facilities certified by an equivalent non-Chilean supervisory body in the country where the aircraft is registered may maintain and repair the aircraft operated by Chilean airlines.

Aircraft maintenance personnel at such facilities must also be certified either by the DGAC or an equivalent non-Chilean supervisory body before assuming any aircraft maintenance positions.

SECURITY

The DGAC establishes and supervises the implementation of security standards and regulations for the Chilean commercial aviation industry.

Such standards and regulations are based on standards developed by international commercial aviation organizations. Each airline and airport in Chile must submit an aviation security handbook to the DGAC describing its security procedures for the day-to-day operations of commercial aviation and procedures for staff security training. LAN has submitted its aviation security handbook to the DGAC. Chilean airlines that operate international routes must also adopt security measures in accordance with the requirements of applicable bilateral international agreements.

Regulatory Framework

AIRPORT POLICY

The DGAC supervises and manages airports in Chile, including the supervision of take-off and landing charges. The DGAC proposes airport charges, which are approved by the JAC and are the same at all airports.

Since the mid-90s, a number of Chilean airports have been privatized, including the Comodoro Arturo Merino Benítez International Airport in Santiago. At the privatized airports, the airport administration manages the facilities under the supervision of the DGAC and JAC.

ENVIRONMENTAL AND NOISE REGULATION

There are no material environmental regulations or controls imposed upon airlines, applicable to aircraft, or that otherwise affect us in Chile, except for environmental laws and regulations of general applicability. There is no noise restriction regulation currently applicable to aircraft in Chile. However, Chilean authorities are planning to pass a noise-related regulation governing aircraft that fly to and within Chile.

The proposed regulation will require all such aircraft to comply with certain noise restrictions, referred to in the market as Stage 3 standards.

LAN's fleet already complies with the proposed restrictions so we do not believe that enactment of the proposed standards would impose a material burden on us.

ANTITRUST REGULATION

The Chilean antitrust authority, which we refer to as the Antitrust Court (previously the Antitrust Commission), oversees antitrust matters, which are governed by Decree Law No. 211 of 1973, as amended, or the Antitrust Law.

The Antitrust Law prohibits any entity from preventing, restricting or distorting competition in any market or any part of any market. The Antitrust Law also prohibits any business or businesses that have a dominant position in any market or a substantial part of any market from abusing that dominant position.

An aggrieved person may sue for damages arising from a breach of Antitrust Law and/or file a complaint with the Antitrust Court requesting an order to enjoin the violation of the Antitrust Law.

The Antitrust Court has the authority to impose a variety of sanctions for violations of the Antitrust Law, including termination of contracts contrary to the Antitrust Law, dissolution of a company and imposition of fines and daily penalties on businesses. Courts may award damages and other remedies (such as an injunction) in appropriate circumstances. As described above under “—Route Rights—Airfare Pricing Policy,” in October 1997, the Antitrust Court approved a specific self-regulatory fare plan for us consistent with the Antitrust Court's directive to maintain a competitive environment within the domestic market.

Since October 1997, LAN Airlines S.A. and LAN Express follow a self-regulatory plan, which was modified and approved by the Tribunal de la Libre Competencia (the Competition Court) in July 2005, and further in September, 2011.

Regulatory Framework

In February 2010, the Fiscalía Nacional Económica (the National Economic Prosecutor's Office) finalized the investigation initiated in 2007 regarding our compliance with this self-regulatory plan and no further observations were made.

By means of Resolution No. 37/2011, issued on September 21, 2011 (the "Resolution"), the Tribunal de Defensa de la Libre Competencia de Chile ("TDLC") approved the merger between LAN and TAM and imposed 14 mitigation measures on LATAM, which scope and details are set out in said Resolution and which, for convenience only, are briefly described below:

1. To exchange 4 pairs of daily slots at the Guarulhos Airport of São Paulo to be exclusively operated in non-stopflights servicing the SCL – GRU route
2. To extend its frequent flyer program for a term of 5 years in favor of airlines operating (or expressing their intention to operate) the Santiago – São Paulo, Santiago – Río de Janeiro, Santiago – Montevideo, and Santiago – Asunción routes, in the event that the airlines ask for LATAM to extend the referred program in connection with the above-stated routes.
3. To enter into interline agreements covering the Santiago – São Paulo, Santiago – Río de Janeiro and/or Santiago – Asunción routes with interested airlines operating those routes which approach LATAM for that purpose.
4. To observe certain temporary capacity and offer restrictions on the Santiago – São Paulo route.
5. To implement certain amendments to LATAM's Self-Regulatory Fare Plan applicable to its domestic business.
6. To renounce before June 22, 2014, from either of the two global alliances to which LAN and TAM belonged as of the date of the Resolution.
7. To comply with certain restrictions in signing and maintain some code-sharing agreements, without prior consultation with the TDLC, for specific routes with carriers which are members or partners of an alliance other than that to which LATAM belongs.
8. To abide by certain restrictions to participate in future allocations of third, fourth and fifth freedom traffic rights between Santiago and Lima, and to abandon 4 fifth freedom frequencies to Lima.
9. To express to the relevant air transportation authorities its favorable opinion to the unilateral opening of the sky for domestic flights within Chile, operated by airlines based in foreign States, without reciprocity requirements.
10. To commit, to the extent applicable, to promoting the growth and regular operation of the Guarulhos airport in São Paulo and the Arturo Merino Benítez airport in Santiago.
11. To comply with certain directives in granting incentives to travel agencies.
12. To temporarily maintain, except upon the occurrence of a force majeure event: i) at least 12 weekly non-stop round-trip flights directly operated by LATAM and covering the routes between Chile and the U.S.; and ii) at least 7 weekly non-stop round-trip flights directly operated by LATAM and covering the

Regulatory Framework

routes between Chile and Europe.

13. To comply with certain restrictions on average revenues from air tickets for passenger transport on the Santiago – São Paulo and Santiago – Rio de Janeiro routes; and on published airfares effective as of the date of the Resolution for cargo transport on each of the routes between Chile and Brazil.
14. To hire an independent consultant for a term of 3 years to provide advisory services to the Federal Economic Prosecutor's Office in overseeing LATAM's compliance with the Resolution.

The Brazilian Council for Economic Defense – CADE has approved the LAN/TAM merger by unanimous decision during the hearing session of December 14, 2011, subject to the conditions: (1) the new combined group (LATAM) should leave one of the two global alliances to which it was part (Star Alliance or oneworld); and (2) the new combined group (LATAM) should offer to swap two pairs of slots in Guarulhos International Airport, to be used by an occasional third party interested in offering direct non-stop flights between

São Paulo and Santiago do Chile. These impositions are in line with the mitigation measures adopted by the TDLC, in Chile.

Furthermore, the association was submitted to the antitrust authorities in Germany, Italy and Spain. All these jurisdictions granted unconditional clearances for this transaction. The merger was filed with the Argentinean antitrust authorities, which approval is still pending.

Financial Results

LATAM Airlines Group reported an operating income of US\$513.4 million in 2014

LATAM Airlines Group reported an operating income of US\$513.4 million in 2014, representing a drop of 20.3% as compared to the previous year. Operating margin stood at 4.1%, down by 0.7 percentage points as compared to operating margin for 2013. These lower results reflected a weaker macroeconomic environment, with slower growth in South American countries and depreciation of local currencies; as well as a more challenging competitive environment for LATAM's international operations, and the Football World Cup, which was held in Brazil in June and July, with a negative impact on results of some US\$140 million to US\$160 million.

Total revenues in 2014 reached US\$12,471.1 million as compared to US\$13,266.1 million in 2013. This 6.0% drop was explained by reductions of 6.2% and 8.0% in passenger and cargo revenues, respectively, which was partly offset by a 10.6% increase in other revenues. These results include the negative impact on revenues denominated in Brazilian reais of this currency's 9.1% average depreciation in 2014.

As of 31 December 2014, passenger and cargo revenues accounted for 83% and 14% of total

revenues, respectively. The 6.2% reduction in passenger revenues reflected a 1.9% increase in passenger traffic that was offset by a 7.9% drop in yields. In 2014, the load factor reached 83.4%, up by 2.5 percentage points on the previous year, with the increase driven by higher traffic accompanied by a 1.1% reduction in capacity.

Consolidated revenues per ASK (RASK) were down by 5.1% on 2013, mainly due to lower yields which, in turn, were affected by intense competition in the international market, the depreciation of local currencies (principally the Brazilian real and the Chilean peso) and the impact of the Soccer World Cup on business demand in June and July.

The reduction of capacity in 2014 as compared to 2013 was explained mainly by a 2.4% reduction in the LATAM's international business as it continued to rationalize capacity on these routes, and ongoing discipline in the Brazilian domestic market where LATAM reduced its capacity for third consecutive year, in this case by 1.4%. Capacity in Spanish-speaking domestic markets continued to expand but at a slower pace, with an increase of only 3.7%, and in line with slower economic

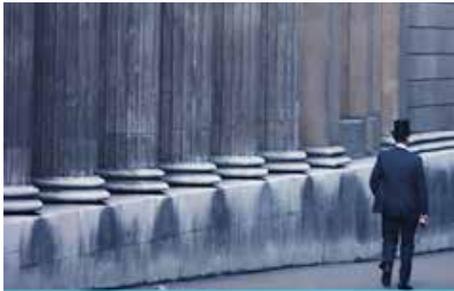
growth, mainly in Chile and Peru.

The 8.0% drop in cargo revenues in 2014 reflected a drop of 3.3% in traffic and of 4.8% in yields. This was a result of the still weak global cargo markets, the weakness of imports from the region (mainly from Brazil) and greater competition in South America from other regional and international airlines. In response, LATAM reduced its cargo capacity by 5.6% in 2014, focusing on optimizing the utilization of the bellies of its passenger aircraft, while it gradually phases out of the fleet some of its cargo dedicated freighters, one of which was phased out in March 2014. The drop in yields also reflected the negative impact of the 9.1% depreciation of the Brazilian real on cargo revenues in that domestic market.

Operating costs reached US\$11,957.8 million in 2014, down by 5.3% as compared to 2013, resulting in a 2.4% reduction of the cost per ASK equivalent (including net financial costs). This decrease mainly reflected a reduction in expenditure on fuel and wages and the positive impact of the depreciation of local currencies on certain components of costs.

At US\$4,167.0 million, expenditure on fuel

Financial Results



represented a drop of 5.6% from US\$4,414.2 million in 2013. This was explained by both lower consumption and lower fuel prices.

In 2014, fuel consumption measured in gallons was down by 3.7% in line with the Company's strategy of rationalization of its passenger and cargo operations (as reflected in a 2.8% reduction in ASK-equivalents) and the initiatives it implemented during the year in order to achieve efficiency gains, principally related to the fleet.

In the case of fuel prices, the reduction reflected a 4.9% drop in the fuel price (without hedging) in 2014. In addition, LATAM recognized a fuel hedging loss of US\$108.7 million as compared to a fuel hedge gain of US\$22.1 million in 2013. In the case of exchange-rate hedging, LATAM Airlines Group reported a gain of US\$3.8 million on hedging for the Brazilian real in 2014, also recognized in the fuel cost line.

Wages and benefits showed a drop of 5.7% in 2014, due principally to the decrease of 0.3% in the number of employees and the impact on wages of the depreciation of currencies, mainly the 9.1% depreciation of the Brazilian real and

the 15.2% depreciation of the Chilean peso as compared to 2013. In the last quarter of 2014, LATAM also reported a recognized again of US\$108 million related to the reversal of performance bonuses for the year.

In 2014, LATAM Airlines Group reported one-time costs arising from the fleet restructuring plan it began to implement in the second half of 2013. This plan seeks to meet LATAM's needs after the business combination and consists on reducing the number of aircraft models operated, gradually phasing out less efficient models and allocating the most appropriate planes to each of its markets. As a result, LATAM Airlines Group recognized a provision for fleet restructuring costs for US\$112 million in the first quarter of 2014 as part of the process of gradually phasing out of its fleet all of its A330s, A340s, B737s, Dash 8-Q400s and Dash 8-200s. These one-time costs were mainly related to estimated fines resulting from the early delivery of aircraft and maintenance expenses for redelivery. Finally, LATAM Airlines Group reported a net loss of US\$109.8 million in 2014 as compared to a net loss of US\$281.1 million in 2013. This result implied a net margin of -0.9% which represented an improvement of 1.2 percentage

points on its net margin in 2013. LATAM's net loss in 2014 was affected by the fleet restructuring costs discussed above for US\$112 million and an exchange-rate loss of US\$130.2 million mainly due to the depreciation of the Brazilian real between 31 December 2013 and 31 December 2014. This compares to an exchange-rate loss of US\$482.2 million recognized in 2013 when the imbalance of TAM's assets and liabilities in Brazilian reais was higher.

Financial Results

For the year ended December 31

	2014	2013	Var. %
REVENUE			
Passenger	10.380.122	11.061.557	-6,2%
Cargo	1.713.379	1.862.980	-8,0%
Other	377.645	341.565	10,6%
TOTAL OPERATING REVENUE	12.471.146	13.266.102	-6,0%
EXPENSES			
Wages and Benefits	-2.350.102	-2.492.769	-5,7%
Aircraft Fuel	-4.167.030	-4.414.249	-5,6%
Comissions to Agents	-365.508	-408.671	-10,6%
Depreciation and Amortization	-991.264	-1.041.733	-4,8%
Other Rental and Landing Fees	-1.327.238	-1.373.061	-3,3%
Passenger Services	-300.325	-331.405	-9,4%
Aircraft Rentals	-521.384	-441.077	18,2%
Aircraft Maintenance	-452.731	-477.086	-5,1%
Other Operating Expenses	-1.482.198	-1.642.146	-9,7%
TOTAL OPERATING EXPENSES	-11.957.780	-12.622.197	-5,3%
OPERATING INCOME	513.366	643.905	-20,3%
Operating Margin	4,1%	4,9%	-0,7 pp
NET INCOME	-109.790	-281.114	-60,9%
Net Margin	-0,9%	-2,1%	1,2 pp
EBITDA	1.504.630	1.685.638	-10,7%
EBITDA Margin	12,1%	12,7%	-0,6 pp.
EBITDAR	2.026.014	2.126.715	-4,7%
EBITDAR Margin	16,2%	16,0%	0,2 pp.

Financial Results

For the year ended December 31

	2014	2013	% Change
SYSTEM			
ASKs-equivalent (millions)	206.198	212.237	-2,8%
RPKs-equivalent (millions)	153.978	153.485	0,3%
Overall Load Factor (based on ASK-equivalent)%	74,7%	72,3%	2,4 pp
Yield based on RPK-equiv (US Cent)	7,9	8,4	-6,7%
Operating Revenues per ASK-equiv (US Cent)	5,9	6,1	-3,7%
Costs per ASK-equivalent (US Cent)	6,1	6,2	-2,4%
Fuel Gallons Consumed (millions)	1.220	1.267	-3,7%
Average Trip Length (thousands km)	1,6	1,6	0,2%
Total Number of Employees (End of Period)	53.072	52.997	0,1%
PASSENGER			
ASKs (millions)	130.201	131.691	-1,1%
RPKs (millions)	108.534	106.466	1,9%
Passengers Transported (thousands)	67.833	66.696	1,7%
Load Factor (based on ASKs) %	83,4%	80,8%	2,5 pp
Yield based on RPKs (US Cents)	9,6	10,4	-7,9%
Revenues per ASK (US cents)	8,0	8,4	-5,1%
CARGO			
ATKs (millions)	7.220	7.652	-5,6%
RTKs (millions)	4.317	4.467	-3,3%
Tons Transported (thousands)	1.102	1.171	-5,9%
Load Factor (based on ATKs) %	59,8%	58,4%	1,4 pp
Yield based on RTKs (US Cents)	39,7	41,7	-4,8%
Revenues per ATK (US Cents)	23,7	24,3	-2,5%

Financial Results

Passenger and cargo revenue breakdown by country

For the year ended December

	2014	2013	% Change
SYSTEM			
Peru	660.057	646.217	2,1%
Argentina	813.472	950.595	-14,4%
EEUU	1.224.264	1.290.493	-5,1%
Europa	935.893	937.539	-0,2%
Colombia	391.678	387.999	0,9%
Brasil	5.361.594	5.572.884	-3,8%
Ecuador	248.585	273.712	-9,2%
Chile	1.589.202	1.698.476	-6,4%
Asia Pacific and rest Latin America	868.756	1.166.622	-25,5%
TOTAL	12.093.501	12.924.537	-6,4%

Awards and Recognitions

In 2014, the Airlines that make up LATAM Airlines Group received around 50 awards in various fields: Service on Board (excellence in wine and menu), Travel Experience (VIP Lounges, on board magazines) and Reputation, in addition to rankings that measure LATAM's economic, social and environmental management.

Below we highlight the most important recognitions that LATAM Airlines Group received during 2014:

Dow Jones Sustainability Index 2014

LATAM joins the Global Dow Jones Sustainability Index, becoming the first airline in the Americas in having that recognition.

Skytrax 2014

Most recognized award in the industry.
LAN: First place in category "Best Airline in South America".
LAN: First place in category "Best Service in South America".
TAM: Second place in category "Best Airline in South America".

Best of 2014 Awards Gala / Premier Traveler USA

First place in category "Best Airline to South America".

Award Empresa Alas20 (sustainable leaders)

Award Best of Best

Best Investor Relations team, sustainability
CEO Leader in Sustainability: Enrique Cueto

Corporate Transparency award

Universidad del Desarrollo and Chile
Transparente
LAN

21° World Travel Awards (WTA)

LAN: Best Airline in South America.

Best of 2014 Awards Gala / Premier Traveler USA

LAN: First place category "Best Airline to South America".

Top of Mind Internet – DataFolha/UOL

TAM: First Place in category airlines.

The most beloved brands– Centro de Inteligência Padrão (CIP)

TAM: First Place in category airlines.

Travelers' Choice Favorites - TripAdvisor®

TAM: First Place in category airlines.

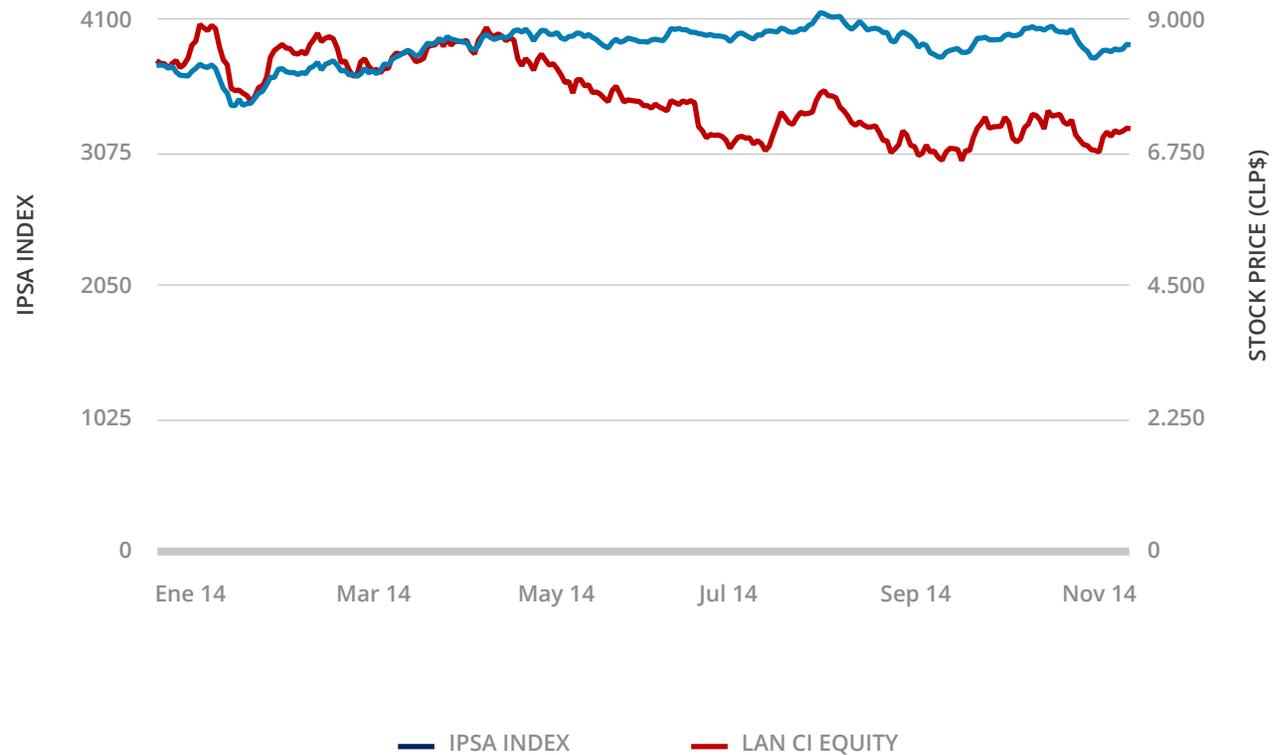
Wines on the Wing / Global Traveler

TAM: First place
Best International Business Class Champagne:
Drappier Carte d'Or, NV, Champagne, France
- TAM

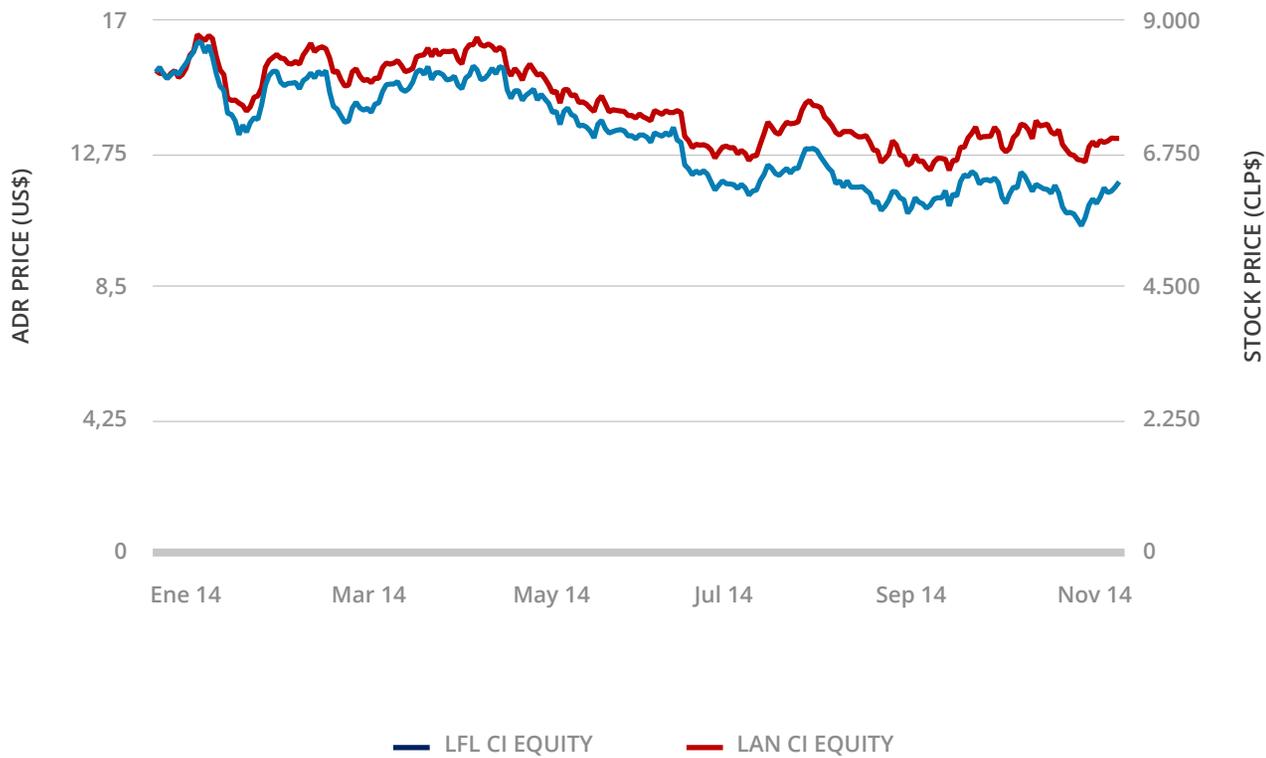
Global Compart award: Program "I care for my destination"

Stock Market Information

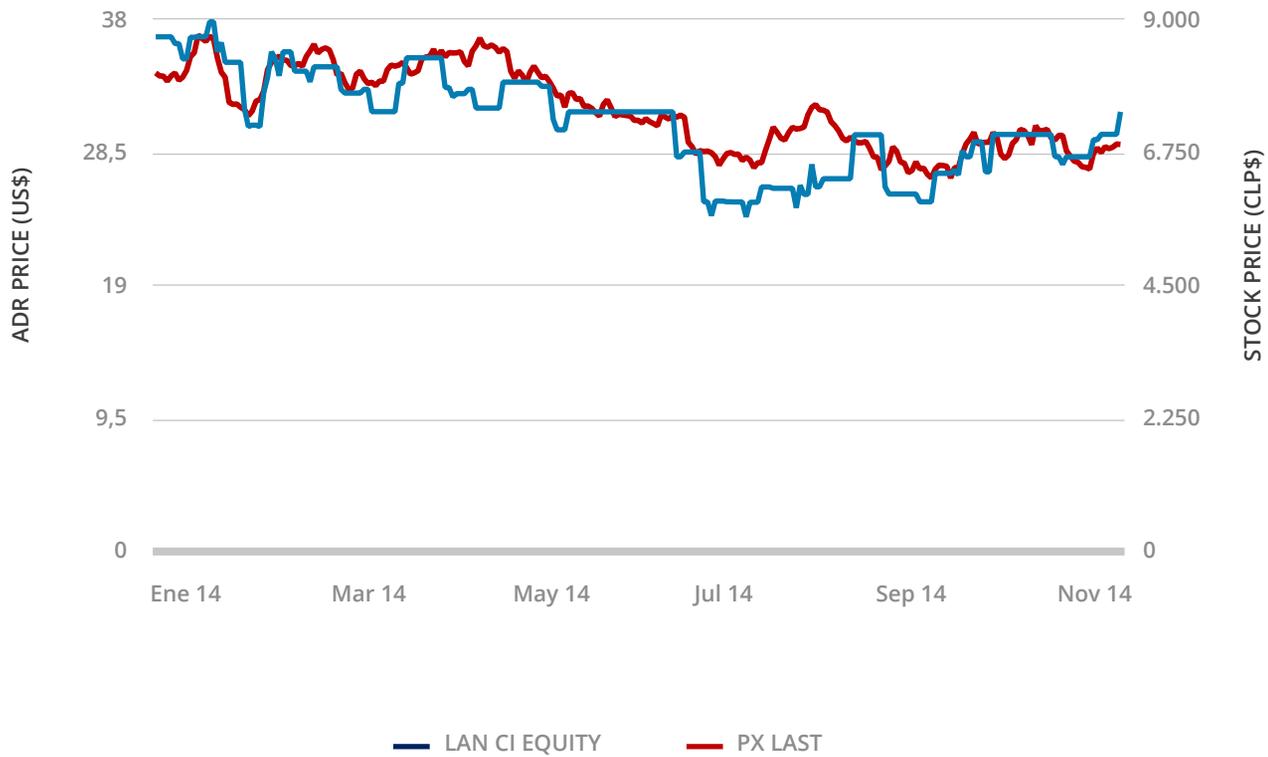
During 2014, LATAM Airlines Group's share price showed a loss of 14.4% while LAN's ADR and BDR showed losses of 26.5% and 13.5%, respectively. As of 31 December 2014, LATAM had a market capitalization of US\$ 6,536 million. In 2014, LATAM Airlines Group's shares performed below Chile's IPSA share price index, which showed an annual gain of 4.2%. Regarding the movements of the stock, this year LATAM Airlines Group stock had a 100% of market presence in the Santiago Stock Exchange.



Stock Market Information



Stock Market Information



Stock Market Information

Quarterly volume of share trading (Santiago Stock Exchange)

2012	N° of shares traded	Average price (CLP)	Total value (CLP)
First Quarter	64.710.000	14.373	812.172.800.000
Second Quarter	107.445.492	13.097	1.006.390.000.000
Third Quarter	57.157.847	12.063	683.382.000.000
Fourth Quarter	38.877.169	11.286	438.423.700.000
2013			
First Quarter	31.787.896	11.214	356.563.517.000
Second Quarter	47.046.121	9.209	431.735.536.000
Third Quarter	60.095.492	7.064	414.584.729.000
Fourth Quarter	68.677.913	8.167	567.710.204.600
2014			
First Quarter	61.484.884	8.211	505.709.680.413
Second Quarter	35.965.643	8.131	289.601.577.406
Third Quarter	35.231.909	7.191	253.842.152.886
Fourth Quarter	44.766.542	6.939	310.758.809.345

Stock Market Information

Quarterly volume of ADR trading (NYSE)

2012	N° of ADRs traded	Average price (USD)	Total value (USD)
First Quarter	17.180.265	29,20	456.019.600
Second Quarter	27.871.128	25,97	725.219.500
Third Quarter	43.620.441	25,37	1.080.972.000
Fourth Quarter	23.579.847	23,48	560.725.400
2013			
First Quarter	23.842.422	23,62	562.524.908
Second Quarter	35.452.685	19,05	665.938.101
Third Quarter	41.500.940	13,91	573.896.339
Fourth Quarter	51.531.434	15,93	822.930.239
2014			
First Quarter	39.001.153	14,88	583.899.207
Second Quarter	37.203.364	14,67	543.101.797
Third Quarter	39.309.163	12,39	486.257.603
Fourth Quarter	25.321.250	11,58	406.290.235

Stock Market Information

Quarterly volume of BDR trading (Bovespa)

2012	Nº of BDRs traded	Average price (BRL)	Total value (BRL)
Second Quarter	35.857.854	52,12	2.041.688.000
Third Quarter	5.982.600	50,50	301.911.500
Fourth Quarter	1.118.000	47,00	54.162.270
2013			
First Quarter	1.581.895	45,74	73.304.033
Second Quarter	1.027.918	38,10	40.259.529
Third Quarter	1.214.565	30,59	38.707.827
Fourth Quarter	93.816	35,71	3.347.264
2014			
First Quarter	223,6	34,73	7.371.941
Second Quarter	90	33,09	2.914.078
Third Quarter	147,6	26,88	4.280.666
Fourth Quarter	105,6	28,49	2.926.065

Additional Information

In 2014, as in previous years, the main suppliers of LATAM Airlines Group were the Airbus and Boeing aircraft manufacturers.

SUPPLIERS

In 2014, as in previous years, the main suppliers of LATAM Airlines Group were the Airbus and Boeing aircraft manufacturers. Its other suppliers consist mainly of companies that produce aircraft accessories, spares and components such as: MTU Maintenance Hannover, Celma Companhia Electromecanica, Rolls Royce PLC, International Aero Engines, General Electric Co. y CFM International Inc. (maintenance); Zodiac Seats US, Recaro, BE Aerospace and Zodiac seats UK (seats); Honeywell and Rockwell Collins (avionics); Air France, LUFTHANSA Technik and Fokker Services (MRO components); Panasonic, Thales and Zodiac (in-flight entertainment); Messier Bugatti (landing gear and brakes); UTC Aerospace (Molding); and Heico Corp, AMG (repairs). In addition, the Company has a number of fuel suppliers such as Raizen Combustiveis S.A., Petrobras, Air BP, Shell, World Fuel Services, Repsol, among others.

INSURANCE

Taking into account all those areas of its operations that involve potential risks, LATAM Airlines Group carries insurance that can be divided into three main categories: aviation, hull and liability insurance. These types of insurance cover all the risks inherent to commercial aviation such as aircraft, engines, spare parts and third-party liability for passengers, cargo, baggage, merchandise and airports, etc. Since the merger of LAN with TAM, insurance for both companies has been acquired by LATAM Airlines Group and the increased volumes negotiated have resulted in lower operational costs.

GENERAL INSURANCE

Insurance of this type provides coverage against all those risks that could affect the Company's assets, particularly its physical goods and financial assets. These

are protected through multi-risk policies (including fire, theft, computer equipment, transport of securities, window breakage and other all-risk coverage) as well as traditional coverage of motor vehicles, air and sea transport, corporate civil liability, etc. In addition, LATAM holds life and accident insurance on behalf of all its personnel including executives, staff in general and flight crews.

TRADEMARKS AND PATENTS

LATAM and its subsidiaries use a number of trademarks. These are duly registered with the corresponding bodies in the different countries in which they operate or are the origin and/or destination of their operations in order to be able to differentiate and market their products and services in these countries.

Material Facts

On September 29, 2014 was published in the Diario Oficial the Law No. 20.780 which "Amends the system of income taxation and introduces various adjustments in the tax system". Among the major tax reforms that such Law contains, the rate of First Category Tax which shall be declared and paid starting the tax year 2015, is gradually modified from 2014 to 2018. Such tax rate will reach 27% when opted for the partially integrated system, or will reach 25% if opted for the imputed rent system. The Law stipulates that in case of not exercising the option, the partially integrated system will be applied by default to stock corporations, which may be modified only after five years. On October 17, 2014, the Superintendency of Securities and Insurance issued the Oficio Circular No. 856 which establishes that the registration of the properties on assets and liabilities for deferred taxes, resulting from the amendments introduced by Law No. 20.780, as described above, as for September 30, 2014, shall be accounted against capital. LATAM Airlines Group S.A. has estimated an impact on its Financial Statements of approximately US\$150 million when using the rate of the partially integrated system,

considering that this system is applied by default to stock corporations. The estimated impact will be recognized as a net debit in Capital, as defined in the Oficio Circular No. 856. LATAM Airlines Group S.A. presents its Financial Statements to the Securities and Exchange Commission (SEC) of the United States of America and to the Comissão de Valores Mobiliários (CVM) in Brazil, under the International Financial Reporting Standards (IFRS), which establishes in the International Standard Accounting No. 12 - Income Taxes, that the effects of rate changes shall be recognized in the net results. Due to the before mentioned, the Company will recognize the impact noted in the preceding paragraph, in the Financial Statements that will be filed to the SEC and CVM, as a charge in Expense for Income Tax on the results for the period ended September 30, 2014.

CHANGES IN THE ADMINISTRATION / SEPTEMBER 2, 2014

On this date Mrs. Maria Claudia Amaro has resigned as a member of the Board of Directors of the company, and in her place, the Board has elected Mr. Henri Philippe Reichstul. As a result, in the next annual

general meeting of shareholders of LATAM Airlines Group S.A., its Board will be renewed and reelected.

CHANGES IN THE ADMINISTRATION / APRIL 29, 2014

An Ordinary Shareholders Meeting (Meeting) of LATAM Airlines Group S.A. (LATAM) held on April 29, 2014, LATAM's shareholders elected the members of LATAM's Board of Directors, who will hold office for two years.

The following individuals were elected Directors at the Meeting:

1. Juan José Cueto Plaza.
2. Mauricio Rolim Amaro.
3. Maria Claudia Amaro.
4. Ramón Eblen Kadis.
5. Carlos Heller Solari.
6. Francisco Luzón López.
7. Ricardo J. Caballero.
8. Juan Gerardo Jofré Miranda.
9. Georges de Bourguignon Arndt.

The Directors named in numbers 7, 8 and 9 above were elected as independent directors, according to article 50-bis of Companies Law No. 18.046 of the Republic of Chile.

EXTRAORDINARY SHAREHOLDERS MEETING, CITATIONS, AGREEMENTS AND PROPOSITIONS / APRIL 29, 2014

At a Regular Meeting held April 4, 2014, the Board of Directors of LATAM Airlines Group S.A. (hereinafter the "Company") resolved to convene a Regular Shareholders Meeting at 10:00 a.m. on April 29, 2014 at Regal Pacifico Hotel, Salón Pacífico, Av. Apoquindo 5680, Las Condes, Santiago, Chile, to discuss the following matters:

- a) approval of the annual report, balance sheet and financial statements of the Company for the fiscal year ending December 31, 2013;
- b) election of the members of the Company's Board of Directors;
- c) the compensation to be paid to the Company's Board of Directors for the fiscal year ending December 31, 2014;
- d) the compensation to be paid to the Company's Audit Committee and its budget for the fiscal year ending December 31, 2014;

Material Facts

e) the appointment of the external auditing firm and risk rating agencies for the Company; and the reports on the matters indicated in Section XVI of Companies Law 18,046;

f) information on the cost of processing, printing and sending the information indicated in Circular 1816 of the Securities and Insurance Commission;

g) designation of the newspaper in which the Company will make publications; and

h) other matters of corporate interest within the purview of a Regular Shareholders Meeting of the Company.

share, according to the Observed Dollar's exchange rate published by the Central Bank of Chile and in force as of Thursday January 9, 2014, equivalent to ChP\$8.072,60.- ; thus having raised an amount equivalent today to approximately US\$156,5 million.

Accordingly, the placement process of 100% of the 62,000,000 initially issued shares (which do not include the shares allocated to the Company and its subsidiaries' worker compensation plans) placed by the Company and tied to aforementioned capital increase has concluded, having raised a total amount of US\$ 940.5 million.

OTHER / JANUARY 10, 2014

Regarding the capital increase authorized by the Extraordinary Shareholder's Meeting held last June 11, 2013: On this date and through an Order Book Auction procedure carried out in accordance to the provisions of Section 2.4A of the Share Operations Manual of the Santiago Stock Exchange, have been placed a total of 10.314.872 shares that were not subscribed during the preemptive period concluded on December 19, 2013. The placement price was US\$15,17.- per

Risk Factors

LATAM does not control the voting shares or board of directors of TAM

RISK FACTORS RELATING TO OUR COMPANY

- LATAM does not control the voting shares or board of directors of TAM
- Our assets include a significant amount of goodwill.
- A failure to successfully implement our strategy would harm our business and the market value of our ADSs and common shares.
- A failure to successfully implement the new single brand may adversely affect our business and the market value of our ADSs and common shares.
- It may take time to combine the frequent flyer programs of LAN and TAM
- The financial results of LATAM are exposed to foreign currency fluctuations.
- We depend on strategic alliances or commercial relationships in many of the countries in which we operate and our business may suffer if any of our strategic alliances or commercial relationships terminates.
- Our business and results of operation may suffer if we fail to obtain and maintain routes, suitable airport access, slots and other operating permits.
- A significant portion of our cargo revenues come from relatively few product types and may be impacted by events affecting their production or trade.
- Our operations are subject to fluctuations in the supply and cost of jet fuel, which could negatively impact our business.
- We rely on maintaining a high daily aircraft utilization rate to increase our revenues, which makes us especially vulnerable to delays.
- We fly and depend upon Airbus and Boeing aircraft, and our business could suffer if we do not receive timely deliveries of aircraft, if aircraft from these companies becomes unavailable or if the public negatively perceives our aircraft.
- Any delays Airbus A350 aircraft could disrupt our fleet plan.
- If we are unable to incorporate leased aircraft into our fleet at acceptable rates and terms in the future, our business could be adversely affected.
- Our business may be adversely affected if we are unable to meet our significant future financing requirements.
- Our business may be adversely affected by our high degree of debt and aircraft lease obligations compared to our equity capital.
- Variations in interest rates may have adverse effects on our interest payments business, financial condition, results of operations and prospects and the trading price of our ADRs and BDRs and preferred shares.
- Increases in insurance costs and/or significant reductions in coverage could harm our financial condition and results of operations.

Risk Factors

- Problems with air traffic control systems or other technical failures could interrupt our operations and have a material adverse effect on our business.
- Our financial success depends on the availability and performance of key personnel, who are not subject to non-competition restrictions.
- Our business relies extensively on third-party service providers. Failure of these parties to perform as expected, or interruptions in our relationships with these providers or their provision of services to us, could have an adverse effect on our financial position and results of operations.
- Disruptions or security breaches of our information technology infrastructure could interfere with our operations, compromise passenger or employee information and expose us to liability, possibly causing our business and reputation to suffer.
- Our business may experience adverse consequences if we are unable to reach satisfactory collective bargaining agreements with our unionized employees.
- Collective action by employees could cause operating disruptions and negatively impact our business.
- Increases in our labor costs, which constitute a substantial portion of our total operating expenses, could directly impact our earnings.
- We may experience difficulty finding, training and retaining employees.
- High levels of competition in the airline industry may adversely affect our level of operations.
- Chile has opened its domestic aviation industry to foreign airlines without restrictions, which may change the competitive landscape of the domestic Chilean aviation sector and affect our business and results of operations.
- A recent proposal by the Brazilian government would result in the reallocation of certain takeoff and landing slots at Brazilian airports; if this proposal is enacted in its current form, it would reduce our access to important airport infrastructure and adversely affect our results of operations.
- Some of our competitors may receive external support which could negatively impact our competitive position.
- The regulatory structure of Brazilian civil aviation is undergoing change and we have not yet been able to evaluate the results of this change on our business and results of operations.

RISKS RELATED THE AIRLINE INDUSTRY

- Our performance is heavily dependent on economic conditions in the countries in which we do business and negative economic conditions in those countries could have an adverse impact on our business.
- Our business is highly regulated and changes in the regulatory environment in which we operate may adversely affect our business and results of operations.
- Losses and liabilities in the event of an accident involving one or more of our aircraft could materially affect our business.

Risk Factors

- Our operations are subject to local, national and international environmental regulations; costs of compliance with applicable regulations, or the consequences of noncompliance, could adversely affect our results, our business or our reputation.
- Our business may be adversely affected by a downturn in the airline industry caused by exogenous events that affect travel behavior or increase costs, such as outbreak of disease, weather conditions and natural disasters, war or terrorist attacks.
- Developments in Latin American countries and other emerging market countries may adversely affect the Chilean and Brazilian economies, negatively impact our business and results of operations and cause the market price of our common shares and ADSs to decrease.
- Changes in the Chilean corporate tax rate or tax regime could adversely affect our financial results.
- Fluctuations in the value of the Brazilian real, Chilean peso and other currencies in the countries in which we operate may adversely affect our revenues and profitability.
- The Brazilian government has exercised, and may continue to exercise, significant influence over the Brazilian economy, which may have an adverse impact on our business, financial condition and results of operations.
- We are not required to disclose as much information to investors as a U.S. issuer is required to disclose and, as a result, you may receive less information about us than you would receive from a comparable U.S. company.
- Holders of ADSs may be adversely affected by currency devaluations and foreign exchange fluctuations.
- Future changes in Chilean foreign investment controls and withholding taxes could negatively affect non-Chilean residents that invest in our shares.
- Our ADS holders may not be able to exercise preemptive rights in certain circumstances.

RISKS RELATED TO OUR COMMON SHARES AND ADSS

- Our controlling shareholders may have interests that differ from those of our other shareholders.
- Trading of our ADSs and common shares in the securities markets is limited and could experience further illiquidity and price volatility.



CLIMATE CHANGE



CORPORATE CITIZENSHIP



SUSTAINABILITY GOVERNANCE



SUSTAINABILITY VISION



RELATION WITH INDUSTRIAL ORGANIZATIONS,
GOVERNMENTS AND REGULATORY ISSUES

Sustainability Vision

In 2014, LATAM Airlines Group was able to report progress on sustainability management and compliance with the targets it had established. It is engaged in an ongoing process which is laying the foundations for the implementation of a new strategy that, as well as leveraging its business objectives, creates value for all its stakeholders.

The materiality process carried out in 2013 to map and define the business's most important economic, social and environmental issues and impacts played a crucial role in the design of the Corporate Sustainability Strategy 2015-2018.

This strategy reflects LATAM's quest to endure over time and represents a broader vision of the business under which the creation of value is not only a matter of the economic performance required by shareholders, investors and internal stakeholders but also incorporates suppliers, the community, customers and the environment. This integrated vision of how the business should be managed also incorporates the history and particular characteristics of LAN and TAM.

2015 will bring the challenge of launching and implementing the programs, activities

and targets related to this strategy, laying the foundations for its continuity over the coming years and supporting LATAM's objective of becoming one of the world's three best airlines whilst always maintaining good relations and constant dialogue with all its stakeholders.

The aim is not only to generate direct benefits for LATAM but also to benefit the stakeholders with which it has ties through management that seeks to mitigate its social and environmental risks, conserve the region's tourism value, fulfill the expectations of customers and collaborators, facilitate access to the world's most responsible investment funds and contribute to the Company's aim of being the airline industry leader in the Dow Jones Sustainability Index.

One of the principal achievements of 2014 was LATAM Airlines Group's incorporation into the Dow Jones World Sustainability Index as the first airline group of the Americas to join this select group of companies.

The most important of the different initiatives implemented in 2014 under LATAM's Sustainability Strategy are set out below. The Strategy comprises three key dimensions

designed to help ensure that LATAM Airlines Group becomes ever more sustainable:

- Sustainability governance
- Climate change
- Corporate citizenship.

Through its work on these three pillars, LATAM Airlines Group strives to improve the balance and interaction between economic, social and environmental dimensions in a quest to achieve economic growth, manage environmental impacts and contribute to social progress. This is the imperative that LATAM has established to define its success in the societies in which it operates.



Sustainability Governance

We define governance as the system that mobilizes and monitors sustainability and integrates it into the business, involving all our value chain.

The most important dimension of managing a company is its decision-making structure and this is even more the case when seeking to move beyond the traditional business sphere and become an organization that makes a profound contribution to sustainable development. This is why, at LATAM Airlines Group, we are committed, starting with our leaders, to what was reflected in the recognition received by Enrique Cueto in 2014 as "General Manager Leader on Sustainability" from the Sustainable Leaders Agenda 2020 (ALAS20).

In the framework of governance for sustainability, we have adopted the value chain vision and, as a result, management with our customers and suppliers is key.

The provision of a service of excellence and an experience differentiated by client is a fundamental element for the success of LATAM Airlines Group's businesses in both the passenger and cargo segments. We seek

to optimize our processes based on a culture of continuous improvement, working to gain customer trust and loyalty, from the planning stage, flight options and check-in through to completion of the journey or delivery of the goods transported.

In order to improve its services before and during flights, LATAM Airlines Group invested US\$100 million in technology projects in 2014. We are working to transform the traditional travel experience into an experience that is agile and rapid, with shorter waiting times at the airport, less time between connecting flights, more in-flight entertainment options and greater information in the case of a contingency.

The important advances achieved include the development of applications for smartphones through which customers can manage all the variables of their journey, including an electronic boarding card, from their phone. In the case of their flight experience, access to LAN and TAM Entertainment, a wireless entertainment system for personal devices, also offers passengers a greater range of options, allowing them to see films, TV series and videos on their own smartphones, tablets

or laptops. In addition, they can access YouTube, with the best selection of content from its most popular channels.

In the cargo business, an investment plan in systems for digital solutions for LAN and TAM clients was also implemented, representing an outlay of US\$25 million.

In 2014, progress was also achieved in client management and relations through customer services, with the implementation of a unified LAN and TAM system. All contacts are registered and analyzed so that customers receive a solution and personalized response.

All these initiatives make a direct contribution to the sustainability of the business and to fulfillment of clients' expectations. However, LATAM is committed to further deepening of measures for clients that boost the contribution to sustainable development.

In the case of our suppliers, the definition in 2014 of LATAM Airlines Group's Corporate Procurement Policy, aligning the policies of two institutions that were until recently independent and simplifying their processes, marked a milestone in relations with these

Sustainability Governance



stakeholders. This Policy, a copy of which was provided to all Procurement area employees, defines the sustainability principles which LATAM wants to see prevail throughout its value chain, highlighting aspects such as protection of human rights, anti-corruption practices, working conditions and socio-environmental responsibility. In addition, it establishes procedures for tenders and the standard price for different categories of suppliers.

LATAM Airlines Group is also working on a pilot for the socio-environmental profiling and evaluation of suppliers and a plan of work has already been defined. The initial approach was based on identification of the risks inherent to the business and this will be developed using a risk matrix with four dimensions: restoration,

mobilization, information technology (IT) services and safety. This initiative is an example of the work that LATAM undertakes through its Procurement and Supply Chain Vice-Presidency which constantly monitors aspects that can be considered critical such as equipment maintenance, back-up systems, overtime or health and safety at food suppliers.

Finally, since local development is an important aspect of LATAM's strategy, investment in companies in the countries where we operate is key. We, therefore, give priority to hiring local companies or the local subsidiaries of international companies in order to serve as an active partner in local economic development.

Climate Change



The United Nations Framework Convention on Climate Change (UNFCCC) defines this phenomenon as a change in the climate that alters the world's atmosphere, causing significant harmful effects to the composition, resilience or productivity of natural ecosystems. The key objective in order to combat climate change is to stabilize and control greenhouse gas emissions.



LATAM Airlines Group is aware of the impacts generated by the airline industry (which is responsible for 2% of the greenhouse gas emissions that can be attributed to human activity) and strives to be a world leader in this field, thereby also contributing to LATAM's efficiency and competitiveness.

LATAM's principal environmental impacts take the form of the CO2 emissions, noise and waste generated by its flight and ground operations. It seeks to minimize these impacts through a range of specific programs and initiatives such as the implementation of an Environmental Management System, the reduction of its carbon footprint, increased use of alternative sustainable energies, the minimization of the waste generated and eco-efficiency.

LATAM Airlines Group's Environmental Management System, which is aligned with ISO 14001 requirements for ground operations and the Environmental Assessment (IEnvA) system developed jointly with IATA for flight operations, establishes controls on significant environmental aspects, efficiency programs, the optimization of processes and the management of risks related to the operation's emissions.

Most of our greenhouse gas emissions are a result of the burning of fuel, making efficiency gains, consumption reductions and good management key in this field.

In this context, LATAM implements eco-efficiency measures and strives for continuous improvement through, for example, the acquisition of modern aircraft with latest-generation engines and the adoption of efficiency criteria that imply environmental improvements in decisions relating to the fleet, including the acquisition of aircraft and their operation and maintenance. The LEAN Fuel and Smart Fuel Programs have implemented at least 20 initiatives, including important investments in fleet renewal, efficiency gains

in routes and flight times thanks to the use of new technologies such as the Required Navigation Performance (RNP) system, the use of platforms for partial disembarkation, control of air conditioning, optimization of the cargo capacity of passenger and cargo services through the development of innovations that reduce on-board weight and the update and washing of engines. The results speak for themselves in that, in 2014, LATAM Airlines Group was able to reduce its CO2 emissions by 298,184 tons.

Another fundamental aspect of eco-efficiency has to do with the conditions in which the fleet operates. Constant maintenance and fleet renewal are, therefore, key. In line with this, LATAM updates, replaces and washes engines as a preventive strategy, allowing it to increase the efficiency of fuel consumption and reduce the impact on the environment. In addition, as part of its strategy of leadership, LATAM strives to have one of the industry's youngest fleets and currently has 327 aircraft with an average age of less than seven years.

Our efforts to control and minimize impacts were also reflected in LATAM's flights in Brazil

Climate Change



for the Football World Cup. These flights to the 12 cities that hosted matches compensated for 100% of their greenhouse gas emissions, equivalent to a total of 100,000 tonnes corresponding to over 4,500 flights. The projects associated to Premium carbon credits offer important benefits for communities involved, such as biodiversity preservations, social inclusion, cultural stimulation and health.

As a way of reducing its carbon footprint, the air transport industry attaches great importance to the development of demand for and use of more efficient alternative energies with less impact on the environment. As a company, we adhere to these efforts and are involved in research to promote the use of second-generation biofuels by aircraft and were the first in South America to carry out flights using this technology.

One of the key aims of LATAM Airlines Group and of the industry is to achieve carbon-neutral growth by 2020. In line with this, 2014 was the third consecutive year in which LAN Perú compensated for its ground operations by contributing to reforestation of the Peruvian Amazon in collaboration with the Bosques Amazónicos company (BAM). Similarly,

LAN Colombia compensated for its ground emissions by acquiring carbon credits from an emblematic project to reduce emissions caused by deforestation and forest degradation (REDD) in the Chocó Darién conservation corridor. This project has obtained gold certification under the Climate, Community, and Biodiversity (CCB) standard and, moreover, uses 35% of the revenues obtained from the sale of credits in community development projects.

The most important impacts of the airline industry's operations also include noise and air quality. LATAM Airlines Group permanently controls these aspects and implements different measures to manage and reduce the noise it generates by, for example, investing in more modern and silent engines and the use of only one engine for hangar and airport operations (one-engine taxi).

In the coming years, the strategic challenge for LATAM Airlines Group as regards environmental sustainability will be to achieve full implementation of its Environmental Management System in 100% of its operations.

Corporate Citizenship

Corporate citizenship is the framework in which we understand our performance vis-à-vis society and within which we contribute to social progress. This involves both communities in the places where we operate and our collaborators.

In this area, 2014 was an important year due to the implementation of the LATAM culture and its communication to all our employees. Under this culture, LATAM Airlines Group seeks and brings together people who share the key value of Passion which is, in turn, reflected in the values that guide our behavior - Passion for safety, Passion for the customer, Passion for the team and Passion for excellence.

Our aim is for LATAM Airlines Group's 53,072 collaborators to achieve their best performance, be committed and, above all, geared to the customer and able to develop and grow in the organization. To this end, LATAM seeks to ensure that all its collaborators are familiar with and aligned with the company's objectives, working in a way that is efficient and agile, with clear roles and in a coordinated manner.

The benefits we offer collaborators include life insurance, health insurance, a pension fund, child care assistance and coverage for persons with disabilities.

In the case of employee training, we have focused on achieving a complete learning experience. In 2014, we invested US\$39,157 in internal training, offering 1,910,367 hours of training, and US\$430,652 in the

provision of 150 scholarships for our collaborators.

Employee health and safety is a key issue for the aviation industry and LATAM Airlines Group, therefore, gives priority to maintaining the lowest accident rates. For this purpose, we use management tools that range from behavioral aspects to physical safety, eliminating potential risks through rules and procedures.

Since LATAM operates in numerous countries in the region, its impacts are broad in scope. As part of our community relations, we have, therefore, defined a strategy that includes sustainable tourism and social investment.

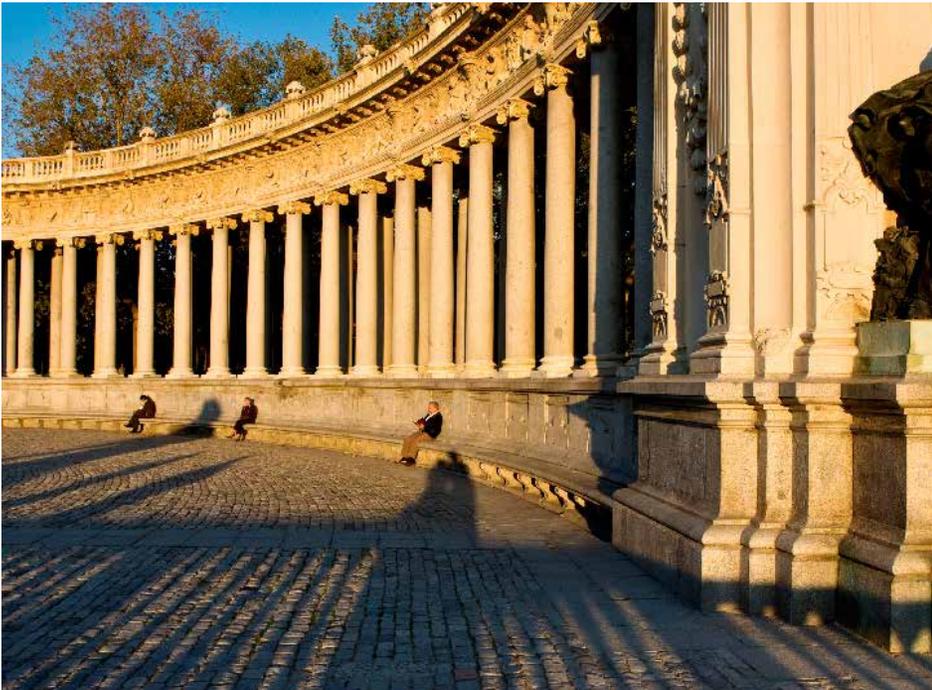
Our principal responsibility is to foster sustainable development together with our stakeholders in the different countries where we operate since our main impact in the region is the connectivity we provide. We seek to position ourselves as leaders in sustainability in the region and as promoters of sustainable tourism as one of the keys to its development. For our work in this area, we have defined four pillars whose transversal axis is the integration of stakeholders' efforts.

In the case of sustainable tourism, we once again implemented the Cuido mi destino (I look after my

destination) program in Argentina, Chile, Colombia, Ecuador and Peru in 2014, completing five years since the launch of this initiative. Under this program, students and members of the community work together to restore public spaces with tourism value, such as the monuments and/or important buildings of each city. Students and local authorities are also able to attend talks about tourism awareness, the environment and local culture, helping to foster responsible tourism and promote Latin America's historical and cultural heritage. Since its creation in 2009, this program has been implemented in 21 cities across Latin America, with the participation of over 2,600 students along with volunteers from LATAM Airlines Group.

In the case of social investment, we have focused on the contribution that, as a company, we can make to non-government organizations that, through their work, seek to foster the region's development, combating poverty and promoting conservation of the environment, citizen participation and protection of human rights. We support these organizations by transporting volunteers or making direct donations. The organizations we support include Un Techo para Mi País, América Solidaria, Coaniquem, María Ayuda, Corporación la Esperanza, UNICEF, Make-a-Wish, Childhood, Fundación Amazonia Sustentable and Central Nacional de Trasplantes.

Relation With Industrial Organizations, Governments and Regulatory Issues



Through the relations it maintains with government bodies and sector entities in the different markets where it operates, LATAM Airlines Group has an active voice on matters that directly or indirectly affect its business strategy.

Over time, we have sought to strengthen our participation in bodies that represent the airline industry. At the global level, we act through IATA, which is a key vehicle for the exchange of information about new technologies, operational safety and the sector's current and future challenges.

At the regional level, we also participate in the Latin American and Caribbean Air Transport Association (ALTA). Always defending transparent dialogue, we seek joint solutions with a focus on efficiency and profitability. LATAM has teams responsible for monitoring

and participating in such debates.

Given LATAM's process of integration, we face the challenge of acting in an integrated manner in our relations with political and sector agents in different places such as Chile, Peru, Argentina and Brazil, taking into account the different situations prevailing in these countries.

In Chile and other markets, we also work with governments to study routes and flights that can generate tourism, employment and earnings for places where we did not previously operate.

In order to ensure proper relations with government representatives and associations, we use LATAM's codes of conduct as reference. In addition, as part of our compliance program, we are implementing a calendar of training on governance and ethics.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(FREE TRANSLATION)

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Consolidated Statement of Financial Position
Consolidated Statement of Income by Function
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Consolidated Statement of Changes in Equity
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Notes to the Consolidated Financial Statements

CLP - CHILEAN PESO
ARS - ARGENTINE PESO
US\$ - UNITED STATES DOLLAR
THUS\$ - THOUSANDS OF UNITED STATES DOLLARS
COP - COLOMBIAN PESO
BRL/R\$ - BRAZILIAN REAL
THR\$ - THOUSANDS OF BRAZILIAN REAL
VEF - STRONG BOLIVAR



REPORT OF INDEPENDENT AUDITORS
(Free translation from the original in Spanish)

Santiago, March 17, 2015

To the Board of Directors and Shareholders
Latam Airlines Group S.A.

We have audited the accompanying consolidated financial statements of Latam Airlines Group S.A. and its subsidiaries which comprise the consolidated statements of financial position as at December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the instructions and standards related to the preparation and presentation of financial information established by the Chilean Superintendency of Securities and Insurance as described in Note 2 of the consolidated financial statements. This responsibility includes the design, implementation and maintenance of a relevant internal control for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Chilean generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Consequently, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Santiago, March 17, 2015
Latam Airlines Group S.A.
2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Latam Airlines Group S.A. and its subsidiaries as at December 31, 2014, and the results of operations and cash flows for the year then ended in accordance with the instructions and standards related to the preparation and presentation of financial information established by the Chilean Superintendency of Securities and Insurance as described in Note 2.

Basis of accounting

As described in Note 2 of the consolidated financial statements, under its authority the Chilean Superintendency of Securities and Insurance, issued on October 17, 2014 the Official Circular N° 856, instructing the registered entities, to record against equity the differences generated in deferred tax assets and liabilities arising as a direct effect of the increase in the first category tax rate introduced by Law 20.780. This fact has caused a change in the framework of preparation and presentation of the financial information applied until this date, which corresponded to International Financial Reporting Standards. At December 31, 2014 and for the year then ended, the effect of changing the accounting framework is described in Note 17. Our opinion is not modified regarding this matter.

Other matters

Previously, we have performed and audit in accordance with the Chilean generally accepted auditing standards, of the consolidated financial statements as of December 31, 2013 of Latam Airlines Group S.A. and its subsidiaries, included herein, and in our report dated March 17, 2014 we issued an unmodified opinion on those consolidated financial statements.

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Jonathan Yeomans Gibbons
RUT: 13.473.972-K

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LATAM AIRLINES GROUP S.A AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	<u>Note</u>	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Current assets			
Cash and cash equivalents	6 - 7	989,396	1,984,903
Other financial assets	7 - 11	650,401	709,944
Other non-financial assets	12	247,871	335,617
Trade and other accounts receivable	7 - 8	1,378,837	1,633,094
Accounts receivable from related entities	7 - 9	308	628
Inventories	10	266,039	231,028
Tax assets	17	100,708	81,890
		<hr/>	<hr/>
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		3,633,560	4,977,104
		<hr/>	<hr/>
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		1,064	2,445
		<hr/>	<hr/>
Total current assets		3,634,624	4,979,549
		<hr/>	<hr/>
Non-current assets			
Other financial assets	7 - 11	84,986	65,289
Other non-financial assets	12	342,813	272,276
Accounts receivable	7 - 8	30,465	100,775
Equity accounted investments		-	6,596
Intangible assets other than goodwill	14	1,880,079	2,093,308
Goodwill	15	3,313,401	3,727,605
Property, plant and equipment	16	10,773,076	10,982,786
Tax assets	17	17,663	-
Deferred tax assets	17	407,323	402,962
		<hr/>	<hr/>
Total non-current assets		16,849,806	17,651,597
		<hr/>	<hr/>
Total assets		20,484,430	22,631,146
		<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

LIABILITIES	Note	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
Current liabilities			
Other financial liabilities	7 - 18	1,624,615	2,039,787
Trade and other accounts payables	7 - 19	1,489,396	1,557,736
Accounts payable to related entities	7 - 9	35	505
Other provisions	20	12,411	27,856
Tax liabilities	17	17,889	11,583
Other non-financial liabilities	21	2,685,386	2,871,640
Total current liabilities		<u>5,829,732</u>	<u>6,509,107</u>
Non-current liabilities			
Other financial liabilities	7 - 18	7,389,012	7,859,985
Accounts payable	7 - 23	577,454	922,887
Other provisions	20	703,140	1,122,247
Deferred tax liabilities	17	1,051,894	767,228
Employee benefits	22	74,102	45,666
Other non-financial liabilities	21	355,401	77,567
Total non-current liabilities		<u>10,151,003</u>	<u>10,795,580</u>
Total liabilities		<u>15,980,735</u>	<u>17,304,687</u>
EQUITY			
Share capital	24	2,545,705	2,389,384
Retained earnings	24	536,190	795,303
Treasury Shares	24	(178)	(178)
Other reserves	24	1,320,179	2,054,312
Parent's ownership interest		4,401,896	5,238,821
Non-controlling interest	13	101,799	87,638
Total equity		<u>4,503,695</u>	<u>5,326,459</u>
Total liabilities and equity		<u>20,484,430</u>	<u>22,631,146</u>

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

		For the period ended December 31,	
	<u>Note</u>	<u>2014</u>	<u>2013</u>
		ThUS\$	ThUS\$
Revenue	25	12,093,501	12,924,537
Cost of sales		<u>(9,624,501)</u>	<u>(10,054,164)</u>
Gross margin		<u>2,469,000</u>	<u>2,870,373</u>
Other income	27	377,645	341,565
Distribution costs		(957,072)	(1,025,896)
Administrative expenses		(980,660)	(1,136,115)
Other expenses		(401,021)	(408,703)
Other gains/(losses)		<u>33,524</u>	<u>(55,410)</u>
Gains (losses) from operating activities		<u>541,416</u>	<u>585,814</u>
Financial income		90,500	72,828
Financial costs	26	(430,034)	(462,524)
Share of profit of investments accounted for using the equity method		(6,455)	1,954
Foreign exchange gains/(losses)	28	(130,201)	(482,174)
Result of indexation units		<u>7</u>	<u>214</u>
Income (loss) before taxes		65,233	(283,888)
Income (loss) tax expense / benefit	17	<u>(142,194)</u>	<u>20,069</u>
NET INCOME (LOSS) FOR THE PERIOD		<u><u>(76,961)</u></u>	<u><u>(263,819)</u></u>
Income (loss) attributable to owners of the parent		(109,790)	(281,114)
Income (loss) attributable to non-controlling interest	13	<u>32,829</u>	<u>17,295</u>
Net income (loss) for the year		<u><u>(76,961)</u></u>	<u><u>(263,819)</u></u>
EARNINGS PER SHARE			
Basic earnings (losses) per share (US\$)	29	(0.20125)	(0.57613)
Diluted earnings (losses) per share (US\$)	29	(0.20125)	(0.57613)

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the periods ended December 31,	
	<u>Note</u>	<u>2014</u> ThUS\$	<u>2013</u> ThUS\$
NET INCOME (LOSS)		(76,961)	(263,819)
Components of other comprehensive income that will be reclassified to income before taxes			
Currency translation differences			
Gains (losses) on currency translation, before tax	28	<u>(650,439)</u>	<u>(629,858)</u>
Other comprehensive income, before taxes, currency translation differences		<u>(650,439)</u>	<u>(629,858)</u>
Cash flow hedges			
Gains (losses) on cash flow hedges before taxes	18	<u>(163,993)</u>	<u>128,166</u>
Other comprehensive income (losses), before taxes, cash flow hedges		<u>(163,993)</u>	<u>128,166</u>
Other components of other comprehensive income (loss), before taxes		<u>(814,432)</u>	<u>(501,692)</u>
Income tax relating to other comprehensive income that will be reclassified to income		-	-
Income tax related to cash flow hedges in other comprehensive income		<u>47,979</u>	<u>(19,345)</u>
Income taxes related to components of other comprehensive income that will be reclassified to income		<u>47,979</u>	<u>(19,345)</u>
Other comprehensive income (loss)		<u>(766,453)</u>	<u>(521,037)</u>
Total comprehensive income (loss)		<u><u>(843,414)</u></u>	<u><u>(784,856)</u></u>
Comprehensive income (loss) attributable to owners of the parent		(830,502)	(768,457)
Comprehensive income (loss) attributable to non-controlling interests		<u>(12,912)</u>	<u>(16,399)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u><u>(843,414)</u></u>	<u><u>(784,856)</u></u>

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Change in other reserves										Total	
	Share	Treasury	Currency	Cash flow	Shares based	Other	Total	Retained	Parent's	Non-		
<u>capital</u>	<u>shares</u>	<u>translation</u>	<u>hedging</u>	<u>payments</u>	<u>sundry</u>	<u>other</u>	<u>earnings</u>	<u>ownership</u>	<u>controlling</u>			
<u>Note</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>reserve</u>	<u>reserve</u>	<u>reserve</u>	<u>reserve</u>	<u>reserve</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>equity</u>	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Equity as of January 1, 2014	2,389,384	(178)	(589,991)	(34,508)	21,011	2,657,800	2,054,312	795,303	5,238,821	87,638	5,326,459	
Total increase (decrease) in equity												
Comprehensive income												
Gain (losses)	24	-	-	-	-	-	-	(109,790)	(109,790)	32,829	(76,961)	
Other comprehensive income		-	(603,880)	(116,832)	-	-	(720,712)	-	(720,712)	(45,741)	(766,453)	
Total comprehensive income		-	(603,880)	(116,832)	-	-	(720,712)	(109,790)	(830,502)	(12,912)	(843,414)	
Transactions with shareholders												
Equity issuance	24-33	156,321	-	-	-	-	-	-	156,321	-	156,321	
Increase (decrease) through transfers and other changes, equity	24-33	-	-	-	-	8,631	(22,052)	(13,421)	(149,323)	27,073	(135,671)	
Total transactions with shareholders		156,321	-	-	-	8,631	(22,052)	(13,421)	(149,323)	27,073	20,650	
Closing balance as of												
December 31, 2014		2,545,705	(178)	(1,193,871)	(151,340)	29,642	2,635,748	1,320,179	536,190	4,401,896	101,799	4,503,695

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
		Change in other reserves						Retained	Parent's	Non-	Total
		Share	Treasury	Currency	Cash flow	Shares based	Other				
<u>Note</u>	<u>capital</u>	<u>shares</u>	<u>translation</u>	<u>hedging</u>	<u>payments</u>	<u>sundry</u>	<u>reserve</u>	<u>earnings</u>	<u>interest</u>	<u>interest</u>	<u>equity</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity as of January 1, 2013	1,501,018	(203)	3,574	(140,730)	5,574	2,666,682	2,535,100	1,076,136	5,112,051	108,634	5,220,685
Total increase (decrease) in equity											
Comprehensive income											
Gain (losses)	24	-	-	-	-	-	-	(281,114)	(281,114)	17,295	(263,819)
Other comprehensive income		-	(593,565)	106,222	-	-	(487,343)	-	(487,343)	(33,694)	(521,037)
Total comprehensive income		-	(593,565)	106,222	-	-	(487,343)	(281,114)	(768,457)	(16,399)	(784,856)
Transactions with shareholders											
Equity issuance	24-33	888,570	-	-	-	-	-	-	888,570	-	888,570
Dividends	24	(25)	25	-	-	-	-	-	-	-	-
Increase (decrease) through											
transfers and other changes, equity	24-33	(179)	-	-	-	15,437	(8,882)	6,555	281	6,657	(4,597)
Total transactions with shareholders		888,366	25	-	-	15,437	(8,882)	6,555	281	895,227	(4,597)
Closing balance as of											
December 31, 2013		2,389,384	(178)	(589,991)	(34,508)	21,011	2,657,800	2,054,312	795,303	5,238,821	87,638

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

		For the periods ended December 31,	
	<u>Note</u>	<u>2014</u>	<u>2013</u>
		ThUS\$	ThUS\$
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		13,367,838	13,406,275
Other cash receipts from operating activities		96,931	4,638
Payments for operating activities			
Payments to suppliers for goods and services		(8,823,007)	(9,570,723)
Payments to and on behalf of employees		(2,433,652)	(2,405,315)
Other payments for operating activities		(528,214)	(31,215)
Interest received		11,589	11,310
Income taxes refunded (paid)		(108,389)	(83,033)
Other cash inflows (outflows)	6	<u>(251,657)</u>	<u>76,761</u>
Net cash flows from operating activities		<u>1,331,439</u>	<u>1,408,698</u>
Cash flows used in investing activities			
Cash flows used to obtain control of subsidiaries or other businesses		518	(5,517)
Cash flows used in the purchase of non- controlling interest		-	(497)
Other cash receipts from sales of equity or debt instruments of other entities		524,370	270,485
Other payments to acquire equity or debt instruments of other entities		(474,656)	(440,801)
Amounts raised from sale of property, plant and equipment		564,266	225,196
Purchases of property, plant and equipment		(1,440,445)	(1,381,786)
Purchases of intangible assets		(55,759)	(43,484)
Payment from other long-term assets		-	22,144
Other cash inflows (outflows)	6	<u>(17,399)</u>	<u>75,448</u>
Net cash flow from (used in) investing activities		<u>(899,105)</u>	<u>(1,278,812)</u>
Cash flows from (used in) financing activities			
Amounts raised from issuance of shares		156,321	888,949
Payments to acquire or redeem the shares of the entity		4,661	-
Amounts raised from long-term loans		1,042,820	2,043,518
Amounts raised from short-term loans		603,151	1,101,159
Loans repayments		(2,315,120)	(1,952,013)
Payments of finance lease liabilities		(394,131)	(423,105)
Dividends paid		(35,362)	(29,694)
Interest paid		(368,789)	(361,006)
Other cash inflows (outflows)	6	<u>(13,777)</u>	<u>(62,013)</u>
Net cash flows from (used in) financing activities		<u>(1,320,226)</u>	<u>1,205,795</u>
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		(887,892)	1,335,681
Effects of variation in the exchange rate on cash and cash equivalents		<u>(107,615)</u>	<u>(1,041)</u>
Net increase (decrease) in cash and cash equivalents		(995,507)	1,334,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	<u>1,984,903</u>	<u>650,263</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	<u><u>989,396</u></u>	<u><u>1,984,903</u></u>

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

NOTE 1 - GENERAL INFORMATION

LATAM Airlines Group S.A. (the “Company”) is a public company registered with the Chilean Superintendency of Securities and Insurance (SVS), under No.306, whose shares are quoted in Chile on the Stock Brokers - Stock Exchange (Valparaíso), the Chilean Electronic Stock Exchange and the Santiago Stock Exchange; it is also quoted in the United States of America on the New York Stock Exchange (“NYSE”) in New York in the form of American Depositary Receipts (“ADRs”) and in Brazil BM & FBOVESPA S.A. – Stock Exchange, Mercadorias e Futuros, in the form of Brazilian Depositary Receipts (“BDRs”).

Its principal business is passenger and cargo air transportation, both in the domestic markets of Chile, Peru, Argentina, Colombia, Ecuador and Brazil and in a developed series of regional and international routes in America, Europe and Oceania. These businesses are performed directly or through its subsidiaries in different countries. In addition, the Company has subsidiaries operating in the freight business in Mexico, Brazil and Colombia.

The Company is located in Santiago, Chile, at Avenida Américo Vespucio Sur No. 901, commune of Renca.

Corporate Governance practices of the Company are set in accordance with Securities Market Law the Corporations Law and its regulations, and the regulations of the SVS and the laws and regulations of the United States of America and the U.S. Securities and Exchange Commission (“SEC”) of that country, with respect to the issuance of ADRs, and the Federal Republic of Brazil and the Comissão de Valores Mobiliarios (“CVM”) of that country, as it pertains to the issuance of BDRs.

The Board of the Company is composed of nine members who are elected every two years by the ordinary shareholders' meeting. The Board meets in regular monthly sessions and in extraordinary sessions as the corporate needs demand. Of the nine board members, three form part of its Directors' Committee which fulfills both the role foreseen in the Corporations Law and the functions of the Audit Committee required by the Sarbanes Oxley Law of the United States of America and the respective regulations of the SEC.

The majority shareholder of the Company is the Cueto Group, which through Costa Verde Aeronáutica S.A., Costa Verde Aeronáutica SpA, Inversiones Nueva Costa Verde Aeronáutica Limitada, Inversiones Priesca Dos y Cía. Ltda., Inversiones Caravia Dos y Cía. Ltda., Inversiones El Fano Dos y Cía. Ltda., Inversiones La Espasa Dos S.A., Inversiones Puerto Claro Dos Limitada, Inversiones La Espasa Dos y Cía. Ltda., Inversiones Puerto Claro Dos y Cía. Limitada and Inversiones Mineras del Cantábrico S.A. owns 25.49% of the shares issued by the Company, and therefore is the controlling shareholder of the Company in accordance with the provisions of the letter b) of Article 97 and Article 99 of the Securities Market Law, given that there is a decisive influence on its administration.

As of December 31, 2014, the Company had a total of 1,622 registered shareholders. At that date approximately 7.69 % of the Company's share capital was in the form of ADRs and approximately 0.53% in the form of BDRs.

For the period ended December 31, 2014, the Company had an average of 53,300 employees, ending this period with a total of 53,072 employees, spread over 10,077 Administrative employees, 6,986 in Maintenance, 17,517 in Operations, 9,237 in Cabin Crew, 4,009 in Controls Crew, and 5,246 in Sales.

The main subsidiaries included in these consolidated financial statements are as follows:

a) As of December 31, 2014

Tax No.	Company	Country of origin	Functional Currency	Participation rate			Statement of financial position			Net Income
				Direct ownership interest	Indirect ownership interest	Total ownership interest	Assets	Liabilities	Equity	Gain (loss)
				%	%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$
96.518.860-6	Lantours Division Servicios Terrestres S.A. and Subsidiaries	Chile	US\$	99.9900	0.0100	100.0000	3,229	2,289	940	2,074
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US\$	99.0100	0.9900	100.0000	39,920	16,854	23,066	1,906
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (1)	Chile	US\$	99.8361	0.1639	100.0000	640,020	1,065,157	(426,016)	(114,511)
Foreign	Lan Perú S.A.	Peru	US\$	49.0000	21.0000	70.0000	239,470	228,395	11,075	1,058
Foreign	Lan Chile Investments Limited and Subsidiaries (1)	Cayman Islands	US\$	99.9900	0.0100	100.0000	2,015	-	2,015	2,844
93.383.000-4	Lan Cargo S.A.	Chile	US\$	99.8939	0.0041	99.8980	575,979	234,772	341,207	(9,966)
Foreign	Connecta Corporation	U.S.A.	US\$	0.0000	100.0000	100.0000	27,431	28,853	(1,422)	740
Foreign	Prime Airport Services Inc. and Subsidiary (1)	U.S.A.	US\$	0.0000	100.0000	100.0000	18,120	22,897	(4,777)	107
96.951.280-7	Transporte Aéreo S.A.	Chile	US\$	0.0000	100.0000	100.0000	367,570	147,278	220,292	(8,983)
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	-	484	(484)	-
Foreign	Aircraft International Leasing Limited	U.S.A.	US\$	0.0000	100.0000	100.0000	-	-	-	2,805
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	9,601	3,912	5,689	923
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	346	13	333	6
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	41	138	(97)	12
Foreign	Lan Cargo Overseas Limited and Subsidiaries (1)	Bahamas	US\$	0.0000	100.0000	100.0000	60,634	46,686	12,218	(84,603)
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary (1)	Chile	CLP	0.0000	100.0000	100.0000	45,589	59,768	(12,711)	(4,276)
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (1)	Chile	CLP	99.7100	0.0000	99.7100	16,035	14,746	1,272	(4,546)
Foreign	TAM S.A. and Subsidiaries (1) (2)	Brazil	BRL	63.0901	36.9099	100.0000	6,817,698	5,809,529	912,634	171,655

(1) The Equity reported corresponds to Equity attributable to owners of the parent, does not include Non-controlling interest.

(2) The indirect participation percentage over TAM S.A. and Subsidiaries comes from Holdco I S.A., entity for which LATAM Airlines Group S.A. holds a 99.9983% participation on the economic rights. Additionally LATAM Airlines Group S.A. owns 226 voting shares of Holdco I S.A., equivalent to 19.42% of total voting shares of that company. During 2014 LATAM Airlines Group S.A. made a capital increase in TAM S.A. for the total amount of ThUS\$ 250,000.

b) As of December 31, 2013

Tax No.	Company	Country of origin	Functional Currency	Participation rate			Statement of financial position			Net Income
				Direct ownership	Indirect ownership	Total ownership	Assets	Liabilities	Equity	Gain
				interest	interest	interest	ThUS\$	ThUS\$	ThUS\$	(loss)
				%	%	%				
96.518.860-6	Lantours Division Servicios Terrestres S.A. and Subsidiaries	Chile	US\$	99.9900	0.0100	100.0000	2,722	2,210	512	787
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US\$	99.0100	0.9900	100.0000	38,553	12,124	26,429	1,231
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (1)	Chile	US\$	99.8361	0.1639	100.0000	641,589	901,851	(246,521)	(104,966)
Foreign	Lan Perú S.A.	Peru	US\$	49.0000	21.0000	70.0000	263,516	252,109	11,407	3,755
Foreign	Lan Chile Investments Limited and Subsidiaries (1)	Cayman Islands	US\$	99.9900	0.0100	100.0000	4,419	5,248	(829)	(1)
93.383.000-4	Lan Cargo S.A.	Chile	US\$	99.8939	0.0041	99.8980	772,640	413,527	359,113	3,685
Foreign	Connecta Corporation	U.S.A.	US\$	0.0000	100.0000	100.0000	9	2,171	(2,162)	(356)
Foreign	Prime Airport Services Inc. and Subsidiary (1)	U.S.A.	US\$	0.0000	100.0000	100.0000	13,528	18,412	(4,884)	78
96.951.280-7	Transporte Aéreo S.A.	Chile	US\$	0.0000	100.0000	100.0000	359,693	120,399	239,294	(4,129)
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	-	560	(560)	-
Foreign	Aircraft International Leasing Limited	U.S.A.	US\$	0.0000	100.0000	100.0000	-	2,805	(2,805)	(5)
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	10,675	3,684	6,991	1,802
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	381	13	368	(2)
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	52	201	(149)	(34)
Foreign	Lan Cargo Overseas Limited and Subsidiaries (1)	Bahamas	US\$	0.0000	100.0000	100.0000	354,250	256,109	96,817	111,043
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary (1)	Chile	CLP	0.0000	100.0000	100.0000	39,419	48,630	(9,937)	(1,246)
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (1)	Chile	CLP	99.7100	0.0000	99.7100	15,362	8,933	6,421	517
Foreign	TAM S.A. and Subsidiaries (1) (2)	Brazil	BRL	63.0901	36.9099	100.0000	8,695,458	7,983,671	617,035	(458,475)

- (1) The Equity reported corresponds to Equity attributable to owners of the parent, does not include Non-controlling interest.
- (2) The indirect participation percentage over TAM S.A. and Subsidiaries comes from Holdco I S.A., entity for which LATAM Airlines Group S.A. holds a 99.9983% participation on the economic rights. Additionally LATAM Airlines Group S.A. owns 226 voting shares of Holdco I S.A., equivalent to 19.42% of total voting shares of that company.
During 2013 LATAM Airlines Group S.A. made a capital increase in TAM S.A. for the total amount of ThUS\$ 1,650,000.

Additionally, has proceeded to consolidate special purpose entities, denominated: JOL, destined to the aircraft financing and Chercán Leasing Limited, destined to the aircraft advance financing and Guanay Finance Limited, destined to the issuance of securitized bond, as the Company has major risks and benefits associated to them according to standards issued by the International Financial Reporting Standards: Consolidated Financial Statement (IFRS 10) and private investment funds in which the parent company and subsidiaries are contributors.

All the entities controlled have been included in the consolidation.

Changes in the scope of consolidation between January 1, 2013 and December 31, 2014, are detailed below:

(1) Incorporation or acquisition of companies

- On October 11, 2013, TAM S.A., under each contracts of sale of shares with Lan Cargo Overseas Limited (indirect subsidiary of LATAM Airlines Group S.A.) , TADEF, Participação e Consultoria Empresarial Ltda. y Jochman Participações Ltda. acquired the 100% of the shares of Aerolinhas Brasileiras S.A. (ABSA). The effect of this transaction on LATAM Airlines Group S.A. corresponds to the purchase of shares on ABSA that possessed the companies TADEF, Participação e Consultoria Empresarial Ltda. and Jochman Participações Ltda., which represented the non-controlling interest on the acquired company.
- Lan Pax Group S.A. is the direct owner of 55% of Aerolane Líneas Aéreas Nacionales del Ecuador S.A., during 2014 obtains the 100% of the economic rights, through its participation in the company Holdco Ecuador S.A., who is owner of 45% remaining of Aerolane Líneas Aéreas Nacionales del Ecuador S.A. By this Lan Pax Group S.A. is owner of 20% of shares with voting rights and is owned of 100% with the economic rights.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following describes the principal accounting policies adopted in the preparation of these consolidated financial statements.

2.1. Basis of Preparation

The consolidated financial statements of LATAM Airlines Group S.A. are for the period ended December 31, 2014, and have been prepared in accordance with Standards and Instructions by Chilean Superintendency of Securities and Insurance (“SVS”), which, except as provided by its Office Circular No. 856, as detailed in the following paragraph are in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) incorporated therein and with the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC).

On September 26, 2014 the law No. 20,780 was promulgated, and on September 29, 2014 was published in the Official Journal of the Republic of Chile, which introduces modifications to the tax system in Chile concerning income tax, among other matters. In relation to the Law,

on October 17, 2014 the SVS issued Office Circular No. 856, in which it decided that the restatement of assets and liabilities by deferred income taxes that occur as a direct effect of the First- Category Tax rate increase introduced by Law No. 20,780 (Tax reform) will be held in equity and not as indicates the IAS 12. In notes 2.17 and 17 the criteria and impacts related to the registration of the effects of the reform and the implementation of the Circular cited are detailed.

The consolidated financial statements have been prepared under the historic-cost criterion, although modified by the valuation at fair value of certain financial instruments.

The preparation of the consolidated financial statements in accordance with described above requires the use of certain critical accounting estimates. It also requires management to use its judgment in applying the Company's accounting policies. Note 4 shows the areas that imply a greater degree of judgment or complexity or the areas where the assumptions and estimates are significant to the consolidated financial statements.

In order to facilitate comparison, there have been some minor reclassifications to the consolidated financial statements corresponding to the previous year.

(a) Accounting pronouncements with implementation effective from January 1, 2014:

	Date of issue	Mandatory Application: Annual periods beginning on or after
(i) Standards and amendments		
Amendment to IAS 32: Financial instruments: Presentation	December 2011	01/01/2014
Amendments to IFRS 10: Consolidated financial statements, IFRS 12: Disclosure of interests in other entities and IAS 27: Separate financial statements.	October 2012	01/01/2014
Amendment to IAS 36: Impairment of assets	May 2013	01/01/2014 The Company adopted in advance this amendment at December 31, 2013.
Amendment to IAS 39: Financial instruments: Recognition and measurement	June 2013	01/01/2014
Amendment to IAS 19: Employee Benefits	November 2013	07/01/2014
(ii) Interpretations		
IFRIC 21: Levies	May 2013	01/01/2014

(i) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
(ii) Improvements		
Improvements to the International Financial Reporting Standards (2012): IFRS 2: Share-based Payment; IFRS 3: Business Combinations Therefore, IFRS 9, IAS 37, and IAS 39 are also modified; IFRS 8: Operating Segments, IFRS 13: Fair Value Measurement, IFRS 9 and IAS 39 were consequently changed; IAS 16: Property, Plant and Equipment, and IAS 38: Intangible Assets; and IAS 24: Related Party Disclosures.	December 2013	07/01/2014
Improvements to the International Financial Reporting Standards (2013): IFRS 1: First-time Adoption of International Financial Reporting Standards; IFRS 3: Business Combinations; IFRS 13: Fair Value Measurement; and IAS 40: Investment Property.	December 2013	07/01/2014

The application of standards, amendments, interpretations and improvements had no material impact on the consolidated financial statements of the Company.

(b) Accounting pronouncements effective implementation starting on January 1, 2015 and following:

(i) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
IFRS 9: Financial instruments.	December 2009	01/01/2018
IFRS 15: Revenue from contracts with customers.	June 2014	01/01/2017
Amendment to IFRS 9: Financial instruments.	November 2013	01/01/2018
Amendment to IFRS 11: Joint arrangements.	May 2014	01/01/2016
Amendment to IAS 16: Property, plant and equipment, and IAS 38: Intangible assets.	May 2014	01/01/2016
Amendment to IAS 27: Separate financial statements.	August 2014	01/01/2016

(ii) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
Amendment to IFRS 10: Consolidated financial statements and IAS 28 Investments in associates and joint ventures.	September 2014	01/01/2016
Amendment IAS 1: Presentation of Financial Statements	December 2014	01/01/2016
Amendment to IFRS 10: Consolidated financial statements, IFRS 12: Disclosure of Interests in other entities and IAS 28: Investments in associates and joint ventures.	December 2014	01/01/2016
(iii) Improvements		
Improvements to International Financial Reporting Standards (2012-2014 cycle): IFRS 5 Non-current assets held for sale and discontinued operations; IFRS 7 Financial instruments: Disclosures; IAS 19 Employee benefits and IAS 34 Interim financial reporting.	September 2014	01/01/2016

The Company's management believes that the early adoption of the standards, amendments and interpretations described above but not yet effective would not have had a significant impact on the Company's consolidated financial statements in the year of their first application. The Company only has early adopted the amendment to IAS 36.

2.2. Basis of Consolidation

(a) Subsidiaries

Subsidiaries are all the entities (including special-purpose entities) over which the Company has the power to control the financial and operating policies, which are generally accompanied by a holding of more than half of the voting rights. In evaluating whether the Company controls another entity, the existence and effect of potential voting rights that are currently exercisable or convertible at the date of the consolidated financial statements are considered. The subsidiaries are consolidated from the date on which control is passed to the Company and they are excluded from the consolidation on the date they cease to be so controlled. The results and flows are incorporated from the date of acquisition.

Inter-company transactions, balances and unrealized gains on transactions between the Company's entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred. When necessary in order to ensure uniformity with the policies adopted by the Company, the accounting policies of the subsidiaries are modified.

To account for and identify the financial information to be revealed when carrying out a business combination, such as the acquisition of an entity by the Company, shall apply the acquisition method provided for in IFRS 3: Business combination.

(b) Transactions with non-controlling interests

The Company applies the policy of considering transactions with non-controlling interests, when not related to loss of control, as equity transactions without an effect on income.

(c) Sales of subsidiaries

When a subsidiary is sold and a percentage of participation is not retained, the Company derecognizes assets and liabilities of the subsidiary, the non-controlling and other components of equity related to the subsidiary. Any gain or loss resulting from the loss of control is recognized in the consolidated income statement in Other gains (losses).

If LATAM Airlines Group S.A. and Subsidiaries retain an ownership of participation in the sold subsidiary, and does not represent control, this is recognized at fair value on the date that control is lost, the amounts previously recognized in Other comprehensive income are accounted as if the Company had disposed directly from the assets and related liabilities, which can cause these amounts are reclassified to profit or loss. The percentage retained valued at fair value are subsequently accounted using the equity method.

(d) Investees or associates

Investees or associates are all entities over which LATAM Airlines Group S.A. and Subsidiaries have significant influence but have no control. This usually arises from holding between 20% and 50% of the voting rights. Investments in associates are booked using the equity method and are initially recognized at their cost.

2.3. Foreign currency transactions

(a) Presentation and functional currencies

The items included in the financial statements of each of the entities of LATAM Airlines Group S.A. and Subsidiaries are valued using the currency of the main economic environment in which the entity operates (the functional currency). The functional currency of LATAM Airlines Group S.A. is the United States dollar which is also the presentation currency of the consolidated financial statements of LATAM Airlines Group S.A. and Subsidiaries.

(b) Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates on the transaction dates. Foreign currency gains and losses resulting from the liquidation of these transactions and from the translation at the closing exchange rates of the monetary assets and liabilities denominated in foreign currency are shown in the consolidated statement of income by function except when deferred in Other comprehensive income as qualifying cash flow hedges.

(c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency other than the presentation currency are translated to the presentation currency as follows:

- (i) Assets and liabilities of each consolidated statement of financial position presented are translated at the closing exchange rate on the consolidated statement of financial position date;
- (ii) The revenues and expenses of each income statement account are translated at the exchange rates prevailing on the transaction dates, and
- (iii) All the resultant exchange differences by conversion are shown as a separate component in Other comprehensive income.

The exchange rates used correspond to those fixed in the country where the subsidiary is located, whose functional currency is different to the U.S. dollar.

In the consolidation, exchange differences arising from the translation of a net investment in foreign entities (or local with a functional currency different to that of the parent), and of loans and other foreign currency instruments designated as hedges for these investments, are recorded within net equity. When the investment is sold, these exchange differences are shown in the consolidated statement of income as part of the loss or gain on the sale.

Adjustments to the Goodwill and fair value arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate or period informed.

2.4. Property, plant and equipment

The land of LATAM Airlines Group S.A. and Subsidiaries is recognized at cost less any accumulated impairment loss. The rest of the Property, plant and equipment are registered, initially and subsequently, at historic cost less the corresponding depreciation and any impairment loss.

The amounts of advance payments to aircraft manufacturers are capitalized by the Company under Construction in progress until receipt of the aircraft.

Subsequent costs (replacement of components, improvements, extensions, etc.) are included in the value of the initial asset or shown as a separate asset only when it is probable that the future economic benefits associated with the elements of Property, plant and equipment are going to flow to the Company and the cost of the element can be determined reliably. The value of the component replaced is written off in the books at the time of replacement. The rest of the repairs and maintenance are charged to the results of the year in which they are incurred.

Depreciation of Property, plant and equipment is calculated using the straight-line method over their estimated technical useful lives; except in the case of certain technical components which are depreciated on the basis of cycles and hours flown.

The residual value and useful life of assets are reviewed, and adjusted if necessary, once per year.

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is reduced immediately to its recoverable amount (Note 2.8).

Losses and gains on the sale of Property, plant and equipment are calculated by comparing the compensation with the book value and are included in the consolidated statement of income.

2.5. Intangible assets other than goodwill

(a) Brands, Airport slots and Loyalty program

Brands, Airport slots and Coalition and loyalty program are intangible assets of indefinite useful life and are subject to impairment tests annually as an integral part of each CGU, in accordance with the premises that are applicable, included as follows:

Airport slots – Air transport CGU

Loyalty program – Coalition and loyalty program Multiplus CGU

Brand – Air transport CGU

(See Note 15)

The airport slots correspond to an administrative authorization to carry out operations of arrival and departure of aircraft at a specific airport, within a specified period.

The Loyalty program corresponds to the system of accumulation and redemption of points that has developed Multiplus S.A., subsidiary of TAM S.A.

The Brands, airport Slots and Loyalty program were recognized in fair values determined in accordance with IFRS 3, as a consequence of the business combination with TAM and Subsidiaries.

(b) Computer software

Licenses for computer software acquired are capitalized on the basis of the costs incurred in acquiring them and preparing them for using the specific software. These costs are amortized over their estimated useful lives, for which the Company has been defined useful lives between 3 and 7 years.

Expenses related to the development or maintenance of computer software which do not qualify for capitalization, are shown as an expense when incurred. The personnel costs and others costs directly related to the production of unique and identifiable computer software controlled by the Company, are shown as intangible Assets others than Goodwill when they have met all the criteria for capitalization.

2.6. Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Company's participation in the net identifiable assets of the subsidiary or associate on the acquisition date. Goodwill related to acquisition of subsidiaries is not amortized but tested for impairment annually. Gains and losses on the sale of an entity include the book amount of the goodwill related to the entity sold.

2.7. Borrowing costs

Interest costs incurred for the construction of any qualified asset are capitalized over the time necessary for completing and preparing the asset for its intended use. Other interest costs are recognized in the consolidated income statement when they are accrued.

2.8. Losses for impairment of non-financial assets

Intangible assets that have an indefinite useful life, and developing IT projects, are not subject to amortization and are subject to annual testing for impairment. Assets subject to amortization are subjected to impairment tests whenever any event or change in circumstances indicates that the book value of the assets may not be recoverable. An impairment loss is recorded when the book value is greater than the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In evaluating the impairment, the assets are grouped at the lowest level for which cash flows are separately identifiable (CGUs). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed if there are indicators of reverse losses at each reporting date.

2.9. Financial assets

The Company classifies its financial instruments in the following categories: financial assets at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition, which occurs on the date of transaction.

(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial instruments held for trading and those which have been designated at fair value through profit or loss in their initial classification. A financial asset is classified in this category if acquired mainly for the purpose of being sold in the near future or when these assets are managed and measured using fair value. Derivatives are also classified as held for trading unless they are designated as hedges. The financial assets in this category and have been designated initial recognition through profit or loss, are classified as Cash and cash equivalents and Other current financial assets and those designated as instruments held for trading are classified as Other current and non-current financial assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments not traded on an active market. These items are classified in current assets except for those with maturity over 12 months from the date of the consolidated statement of financial position, which are classified as non-current assets. Loans and receivables are included in trade and other accounts receivable in the consolidated statement of financial position (Note 2.12).

The regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when

the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

At the date of each consolidated statement of financial position, the Company assesses if there is objective evidence that a financial asset or group of financial assets may have suffered an impairment loss.

2.10. Derivative financial instruments and hedging activities

Derivatives are booked initially at fair value on the date the derivative contracts are signed and later they continue to be valued at their fair value. The method for booking the resultant loss or gain depends on whether the derivative has been designated as a hedging instrument and if so, the nature of the item hedged. The Company designates certain derivatives as:

- (a) Hedge of the fair value of recognized assets (fair value hedge);
- (b) Hedge of an identified risk associated with a recognized liability or an expected highly- Probable transaction (cash-flow hedge), or
- (c) Derivatives that do not qualify for hedge accounting.

The Company documents, at the inception of each transaction, the relationship between the hedging instrument and the hedged item, as well as its objectives for managing risk and the strategy for carrying out various hedging transactions. The Company also documents its assessment, both at the beginning and on an ongoing basis, as to whether the derivatives used in the hedging transactions are highly effective in offsetting the changes in the fair value or cash flows of the items being hedged.

The total fair value of the hedging derivatives is booked as Other non-current financial asset or liability if the remaining maturity of the item hedged is over 12 months, and as an other current financial asset or liability if the remaining term of the item hedged is less than 12 months. Derivatives not booked as hedges are classified as Other financial assets or liabilities.

(a) Fair value hedges

Changes in the fair value of designated derivatives that qualify as fair value hedges are shown in the consolidated statement of income, together with any change in the fair value of the asset or liability hedged that is attributable to the risk being hedged.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is shown in the statement of other comprehensive income. The loss or gain relating to the ineffective portion is recognized immediately in the consolidated statement of income under Other gains (losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

In case of variable interest-rate hedges, the amounts recognized in the statement of Other comprehensive income are reclassified to results within financial costs at the same time the associated debts accrue interest.

For fuel price hedges, the amounts shown in the statement of Other comprehensive income are reclassified to results under the line item Cost of sales to the extent that the fuel subject to the hedge is used.

For foreign currency hedges, the amounts recognized in the statement of Other comprehensive income are reclassified to income as deferred revenue resulting from the use of points, are recognized as Income.

When hedging instruments mature or are sold or when they do not meet the requirements to be accounted for as hedges, any gain or loss accumulated in the statement of Other comprehensive income until that moment remains in the statement of other comprehensive income and is reclassified to the consolidated statement of income when the hedged transaction is finally recognized. When it is expected that the hedged transaction is no longer going to occur, the gain or loss accumulated in the statement of other comprehensive income is taken immediately to the consolidated statement of income as “Other gains (losses)”.

(c) Derivatives not booked as a hedge

The changes in fair value of any derivative instrument that is not booked as a hedge are shown immediately in the consolidated statement of income in “Other gains (losses)”.

2.11. Inventories

Inventories, detailed in Note 10, are shown at the lower of cost and their net realizable value. The cost is determined on the basis of the weighted average cost method (WAC). The net realizable value is the estimated selling price in the normal course of business, less estimated costs necessary to make the sale.

2.12. Trade and other accounts receivable

Trade accounts receivable are shown initially at their fair value and later at their amortized cost in accordance with the effective interest rate method, less the allowance for impairment losses. An allowance for impairment loss of trade accounts receivable is made when there is objective evidence that the Company will not be able to recover all the amounts due according to the original terms of the accounts receivable.

The existence of significant financial difficulties on the part of the debtor, the probability that the debtor is entering bankruptcy or financial reorganization and the default or delay in making payments are considered indicators that the receivable has been impaired. The amount of the provision is the difference between the book value of the assets and the present value of the estimated future cash flows, discounted at the original effective interest rate. The book value of the asset is reduced by the amount of the allowance and the loss is shown in the consolidated statement of income in Cost of sales. When an account receivable is written off, it is charged to the allowance account for accounts receivable.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, time deposits in financial institutions, and other short-term and highly liquid investments.

2.14. Capital

The common shares are classified as net equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in net equity as a deduction from the proceeds received from the placement of shares.

2.15. Trade and other accounts payables

Trade payables and other accounts payable are initially recognized at fair value and subsequently at amortized cost and are valued according to the method of the effective interest rate.

2.16. Interest-bearing loans

Financial liabilities are shown initially at their fair value, net of the costs incurred in the transaction. Later, these financial liabilities are valued at their amortized cost; any difference between the proceeds obtained (net of the necessary arrangement costs) and the repayment value, is shown in the consolidated statement of income during the term of the debt, according to the effective interest rate method.

Financial liabilities are classified in current and non-current liabilities according to the contractual payment dates of the nominal principal.

2.17. Current and deferred taxes

The expense by current tax is comprised of income and deferred taxes.

The charge for current tax is calculated based on tax laws in force on the date of statement of financial position, in the countries in which the subsidiaries and associates operate and generate taxable income.

Deferred taxes are calculated using the liability method, on the temporary differences arising between the tax bases of assets and liabilities and their book values. However, if the temporary differences arise from the initial recognition of a liability or an asset in a transaction different from a business combination that at the time of the transaction does not affect the accounting result or the tax gain or loss, they are not booked. The deferred tax is determined using the tax rates (and laws) that have been enacted or substantially enacted at the consolidated financial statements close, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability discharged.

Deferred tax assets are recognized when it is probable that there will be sufficient future tax earnings with which to compensate the temporary differences.

According to the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014, the effects on assets and liabilities by deferred tax as a result of the rate increase of the First Category Tax approved by Law No. 20,780 (tax reform) about deferred income tax, according to IAS 12 should be imputed to income (loss) of period, have been classified as Retained earnings, under Retained earnings. The subsequent amendments shall be recognized in income (loss) of period according to IAS 12.

Except as mentioned in the previous subparagraph, the tax (current and deferred) is recognized in income by function, unless it relates to an item recognized in Other comprehensive income, directly in equity or from business combination. In that case the tax is also recognized in Other comprehensive income, directly in income by function or goodwill, respectively.

2.18. Employee benefits

(a) Personnel vacations

The Company recognizes the expense for personnel vacations on an accrual basis.

(b) Share-based compensation

The compensation plans implemented by the granting of options for the subscription and payment of shares are shown in the consolidated financial statements in accordance with IFRS 2: Share based payments, showing the effect of the fair value of the options granted as a charge to remuneration on a straight-line basis between the date of granting such options and the date on which these become vested.

(c) Post-employment and other long-term benefits

Provisions are made for these obligations by applying the method of the actuarial value of the accrued cost, and taking into account estimates of future permanence, mortality rates and future wage increases determined on the basis of actuarial calculations. The discount rates are determined by reference to market interest-rate curves. Actuarial gains or losses are shown in other comprehensive income.

(d) Incentives

The Company has an annual incentives plan for its personnel for compliance with objectives and individual contribution to the results. The incentives eventually granted consist of a given number or portion of monthly remuneration and the provision is made on the basis of the amount estimated for distribution.

2.19. Provisions

Provisions are recognized when:

(i) The Company has a present legal or implicit obligation as a result of past events;

- (ii) It is probable that payment is going to be necessary to settle an obligation; and
- (iii) The amount has been reliably estimated.

2.20. Revenue recognition

Revenues include the fair value of the proceeds received or to be received on sales of goods and rendering services in the ordinary course of the Company's business. Revenues are shown net of refunds, rebates and discounts.

- (a) Rendering of services
 - (i) Passenger and cargo transport

The Company shows revenue from the transportation of passengers and cargo once the service has been provided.

Consistent with the foregoing, the Company presents the deferred revenues, generated by anticipated sale of flight tickets and freight services, in heading Other financial liabilities in the Statement of Financial Position.

- (ii) Frequent flyer program

The Company currently has a frequent flyer programs, whose objective is customer loyalty through the delivery of kilometers or points fly whenever the programs holders make certain flights, use the services of entities registered with the program or make purchases with an associated credit card. The kilometers or points earned can be exchanged for flight tickets or other services of associated entities.

The consolidated financial statements include liabilities for this concept (deferred income), according to the estimate of the valuation established for the kilometers or points accumulated pending use at that date, in accordance with IFRIC 13: Customer loyalty programs.

- (iii) Other revenues

The Company records revenues for other services when these have been provided.

- (b) Interest income

Interest income is booked using the effective interest rate method.

- (c) Dividend income

Dividend income is booked when the right to receive the payment is established.

2.21. Leases

(a) When the Company is the lessee – financial lease

The Company leases certain Property, plant and equipment in which it has substantially all the risk and benefits deriving from the ownership; they are therefore classified as financial leases. Financial leases are initially recorded at the lower of the fair value of the asset leased and the present value of the minimum lease payments.

Every lease payment is separated between the liability component and the financial expenses so as to obtain a constant interest rate over the outstanding amount of the debt. The corresponding leasing obligations, net of financial charges, are included in Other financial liabilities. The element of interest in the financial cost is charged to the consolidated statement of income over the lease period so that it produces a constant periodic rate of interest on the remaining balance of the liability for each year. The asset acquired under a financial lease is depreciated over its useful life and is included in Property, plant and equipment.

(b) When the Company is the lessee – operating lease

Leases, in which the lessor retains an important part of the risks and benefits deriving from ownership, are classified as operating leases. Payments with respect to operating leases (net of any incentive received from the lessor) are charged in the consolidated statement of income on a straight-line basis over the term of the lease.

2.22. Non-current assets or disposal groups classified as held for sale

Non-current assets (or disposal groups) classified as assets held for sale are shown at the lesser of their book value and the fair value less costs to sell.

2.23. Maintenance

The costs incurred for scheduled heavy maintenance of the aircraft's fuselage and engines are capitalized and depreciated until the next maintenance. The depreciation rate is determined on technical grounds, according to the use of the aircraft expressed in terms of cycles and flight hours.

In case of own aircraft or under financial leases, these maintenance cost are capitalized as Property, plant and equipment, while in the case of aircraft under operating leases, a liability is accrued based on the use of the main components is recognized, since exists a contractual obligation with the lessor to return the aircraft on agreed terms of maintenance levels. These are recognized as Cost of sales.

Additionally, some leases establish the obligation of the lessee to make deposits to the lessor as a guarantee of compliance with the maintenance and return conditions. These deposits, often called maintenance reserves, accumulate until a major maintenance is performed, once made, is request the recovery to the lessor. At the end of the contract period, the balance between paid reservations and conditions agreed with levels of maintain in delivering, be offset the parties if applicable.

The unscheduled maintenance of aircraft and engines, as well as minor maintenance, are charged to results as incurred.

2.24. Environmental costs

Disbursements related to environmental protection are charged to results when incurred.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Company's activities are exposed to different financial risks: (a) market risk, (b) credit risk, and (c) liquidity risk. The Company's global risk management program is focused on uncertainty in the financial markets and tries to minimize the potential adverse effects on the net margin. The Company uses derivative instruments to hedge part of these risks.

(a) Market risk

Due to the nature of its operations, the Company is exposed to market risks such as:

(i) fuel-price risk, (ii) interest-rate risk, and (iii) local exchange-rate risk. In order to fully or partially hedge all of these risks, the Company operates with derivative instruments to fix or limit the possible impact that could generate the above mentioned risks.

(i) Fuel-price risk:

Fluctuations in fuel prices largely depend on the global supply and demand for oil, decisions taken by Organization of Petroleum Exporting Countries ("OPEC"), global refining capacity, stock levels maintained, and weather and geopolitical factors.

The Company purchases an aircraft fuel called Jet Fuel grade 54. There is a benchmark price in the international market for this underlying asset, which is US Gulf Coast Jet 54. However, the futures market for this asset has a low liquidity index and as a result the Company hedges its exposure using West Texas Intermediate ("WTI") crude, Brent ("BRENT") crude and distillate Heating Oil ("HO"), which have a high correlation with Jet Fuel and are highly liquid assets and therefore have advantages in comparison to the use of the U.S. Gulf Coast Jet 54 index.

During the period ended December 31, 2014, the Company recognized losses of US\$ 108.7 million on fuel derivative. During the period 2013, the Company recognized gains of US\$ 19.0 million for the same reason.

At December 31, 2014, the market value of its fuel positions amounted to US\$ 157.2 million (negative). At December 31, 2013, this market value was US\$ 15.9 million (positive).

The following tables show the level of hedge for different periods:

Positions as of December 31, 2014 (*)	Maturities				
	Q115	Q215	Q315	Q415	Total
Percentage of the hedge of expected consumption value	30%	15%	30%	20%	24%

(*) The volume shown in the table considers all the hedging instruments (swaps and options).

Positions as of December 31, 2013 (*)	Maturities		
	Q114	Q214	Total
Percentage of the hedge of expected consumption value	56%	26%	41%

(*) The volume shown in the table considers all the hedging instruments (swaps and options).

Sensitivity analysis

A drop in fuel price positively affects the Company through a reduction in costs. However, this drop also negatively affects contracted positions as these are acquired to protect the Company against the risk of a rise in price. The policy therefore is to maintain a hedge-free percentage in order to be competitive in the event of a drop in price.

Due to the fact that current positions do not represent changes in cash flows, but a variation in the exposure to the market value, the current hedge positions have no impact on income (they are booked as cash flow hedge contracts, so a variation in the fuel price has an impact on the Company's net equity through the consolidated statement of comprehensive income).

The following table shows the sensitivity analysis of the financial instruments according to reasonable changes in the fuel price and their effect on equity. The term of the projection was defined until the end of the last current fuel hedge contract, being the last business day of the third quarter of 2015.

The calculations were made considering a parallel movement of US\$ 5 per barrel in the curve of the BRENT and JET crude futures benchmark price at the end of December, 2014 and the end of December, 2013.

Benchmark price (US\$ per barrel)	Positions as of December 31, 2014 effect on equity (millions of US\$)	Positions as of December 31, 2013 effect on equity (millions of US\$)
+5	+24.90	+24.57
-5	-25.06	-19.13

The Company seeks to reduce the risk of fuel price rises to ensure it is not left at a disadvantage compared to its competitors in the event of a sharp price fall. The Company therefore uses hedge instruments like swaps, call options and collars to partially hedge the fuel volumes by consume.

Given the fuel hedge structure during the year of 2014, which considers a hedge-free portion, a vertical fall by 5 dollars in the BRENT and JET benchmark price (the monthly daily average), would have meant an impact of approximately US\$ 90.2 million in the cost of total fuel consumption for the same period. For the period of 2014, a vertical rise by 5 dollars in the BRENT and JET benchmark price (the monthly daily average) would have meant an impact of approximately US\$ 88.07 million of increased fuel costs.

(ii) Cash flow interest-rate risk:

The fluctuation in interest rates depends heavily on the state of the global economy. An improvement in long-term economic prospects moves long-term rates upward while a drop causes a decline through market effects. However, if we consider government intervention in periods of economic recession, it is usual to reduce interest rates to stimulate aggregate demand by making credit more accessible and increasing production (in the same way interest rates are raised in periods of economic expansion).

The present uncertainty about how the market and governments will react, and thus how interest rates will change, creates a risk related to the Company's debt at floating interest rates and its investments.

Cash flow interest rate risk equates to the risk of future cash flows of the financial instruments due to the fluctuation in interest rates on the market. The Company's exposure to risks of changes in market interest rates is mainly related to long-term obligations with variable interest rates.

In order to reduce the risk of an eventual rise in interest rates, the Company has signed interest-rate swap and call option contracts. Currently a 69% (70% at December 31, 2013) of the debt is fixed to fluctuations in interest rate. Therefore the Company is exposed in one portion to the variations of London Inter-Bank Offer Rate ("LIBOR") of 30 days, 90 days, 180 days and 360 days. Other interest rates of less relevance are Brazilian Interbank Deposit Certificate ("ILC"), and the Interest Rate Term of Brazil ("TJLP").

The following table shows the sensitivity of changes in financial obligations that are not hedged against interest-rate variations. These changes are considered reasonably possible based on current market conditions.

Increase (decrease) futures curve in libor 3 months	Positions as of December 31, 2014 effect on profit or loss before tax (millions of US\$)	Positions as of December 31, 2013 effect on profit or loss before tax (millions of US\$)
+100 basis points	-27.53	-29.70
-100 basis points	+27.53	+29.70

Changes in market conditions produce a change in the valuation of current financial instruments hedging interest rates, causing an effect on the Company's equity (because they are booked as cash-flow hedges). These changes are considered reasonably possible based on current market

conditions. The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve.

Increase (decrease) futures curve in libor 3 months	Positions as of December 31, 2014 effect on equity (millions of US\$)	Positions as of December 31, 2013 effect on equity (millions of US\$)
+100 basis points	+15.33	+23.35
-100 basis points	-15.95	-24.46

There are limitations in the method used for the sensitivity analysis and relate to those provided by the market because the levels indicated by the futures curves are not necessarily met and will change in each period.

In accordance with the requirements of IAS 39, during the periods presented, the Company has not recorded amounts for ineffectiveness in the consolidated income statement.

(iii) Foreign exchange rate risk:

The functional currency used by the Company is the US dollar in terms of setting prices for its services, the composition of its statement of financial position and effects on its operating income.

The main risk arises when items listed on the balance sheet are exposed to exchange rate variations, due to their being listed in a currency other than the functional currency.

In the case of the subsidiary TAM S.A, which operates with the Brazilian Real as its functional currency, a large proportion of the company's liabilities are expressed in United States Dollars. Therefore, this subsidiary's profit and loss varies when its financial assets and liabilities, and its accounts receivable listed in dollars are converted to Brazilian Reals. This impact on profit and loss is consolidated in the Company.

In order to reduce the volatility on the financial statements of the Company caused by rises and falls in the R\$/US\$ exchange rate, the Company has conducted transactions for to reduce the net US\$ liabilities held by TAM S.A.

The following table shows the variation of financial performance to appreciate or depreciate 10% exchange rate R\$/US\$:

Appreciation (depreciation) of R\$/US\$	Effect at December 31, 2014 Millions of US\$
-10%	+69.8
+10%	-69.8

The Company sells most of its services in US dollars, prices equivalent to the US dollar and Brazilian real. A large part of its expenses are denominated in US dollars or equivalents to the US dollar, particularly fuel costs, aeronautic charges, aircraft leases, insurance and aircraft components and accessories. Remuneration expenses are denominated in local currencies.

The Company maintains its cargo and passenger international business tariffs in US dollars. There is a mix in the domestic markets as sales in Peru are in local currency but the prices are indexed to the US dollar. In domestic markets of Brazil, Chile, Argentina and Colombia the tariffs are in local currency without any kind of indexation. In the case of the domestic business in Ecuador, both tariffs and sales are in US dollar. The Company is therefore exposed to fluctuations in the different currencies, among which are: Brazilian real, Chilean peso, Argentine peso, Paraguayan guaraní, Mexican peso, Euro, Pound sterling, Peruvian sol, Colombian peso, Australian dollar and New Zealand dollar. Of these currencies, the largest exposure is presented by Brazilian real and Chilean peso.

On the other hand, one of the sources of financing of the Company is the receipt of future flows relating to dividends and distributions of capital that the subsidiaries project distribute. These futures flows vary depending on the evolution of currency in compared to the US\$. Most exposure to future flows is presented in subsidiary TAM S.A. and the volatility in the exchange rate R\$/US\$. In the case of the subsidiary TAM S.A. the incomes are expressed a large proportion in R\$ and a large proportion of their costs are expressed in US\$.

For cover the inversion in the subsidiaries and reduce the volatility in the cash flow , the Company may acquire derivatives contracts to hedge variations in other currencies against the Company's functional currency, hedging exchange rate risk through currency forward.

With the object of reduce the exposition to the futures monthly operating flows of all 2014, caused by eventual depreciation of the BRL and assure an economic margins, LATAM done the hedge by derivatives FX Forward.

During the year ended at December 31, 2014 the Company recognized losses of US\$ 3.8 million on hedging FX. During the period of 2013 the Company had no current positions for this item, so no compensation is recognized.

At December 31, 2014, the market value of its FX positions amounted to US\$0.1 million (negative). At end of December 2013 the market value was of US\$ 32.1 million (positive).

At end of December 2014, the Company has contracted derivatives of FX for US\$ 100 million (US\$ 500 million at December 31, 2013)

Sensitivity exchange rate LATAM

A depreciation of exchange rate R\$/ US\$ affects negatively the Company for a rise of its costs in US\$, however, it also affects positively the value of contracted derivate positions.

Because the changes in the value of current positions not represented changes in cash flows, but a variation in the exposure of market value, the current hedge positions have not impact on result (are registered as cash flow hedges according to IAS 39, therefore, a variation in the exposure has an impact on the Company's net equity).

The following table presents the sensitivity of derivative FX Forward instruments agrees with reasonable changes to exchange rate and its effect on equity. The projection term was defined until the end of the last current contract hedge, being the last business day of the first month of 2015:

Appreciation (depreciation) of R\$/US\$	Effect at December 31, 2014 Millions of US\$
-10%	-9.98
+10%	+9.98

Effects of exchange rate derivatives in the Financial Statements

The profit or losses caused by changes in the fair value of hedging instruments are segregated between intrinsic value and temporary value. The intrinsic value is the actual percentage of cash flow covered, initially shown in equity and later transferred to income, while the hedge transaction is recorded in income. The temporary value corresponds to the ineffective portion of cash flow hedge which is recognized in the financial results of the Company (Note 18).

Due to the functional currency of TAM S.A. and Subsidiaries is the Brazilian real, the Company presents the effects of the exchange rate fluctuations in Other comprehensive income by converting the Statement of financial position and Income statement of TAM S.A. and Subsidiaries from their functional currency to the U.S. dollar, which is the presentation currency of the consolidated financial statement of LATAM Airlines Group S.A. and Subsidiaries. The Goodwill generated in the Business combination is recognized as an asset of TAM S.A. and Subsidiaries in Brazilian real whose conversion to U.S. dollar also produces effects in Other comprehensive income.

The following table shows the change in Other comprehensive income recognized in Total equity in the case of appreciate or depreciate 10% the exchange rate R\$/US\$:

Appreciation (depreciation) of R\$/US\$	Effect at December 31, 2014 Millions of US\$	Effect at December 31, 2013 Millions of US\$
-10%	+461.15	+466.45
+10%	-377.31	-381.63

(b) Credit risk

Credit risk occurs when the counterparty to a financial agreement or instrument fails to discharge an obligation due or financial instrument, leading to a loss in market value of a financial instrument (only financial assets, not liabilities).

The Company is exposed to credit risk due to its operative and financial activities, including deposits with banks and financial institutions, investments in other kinds of instruments, exchange-rate transactions and the contracting of derivative instruments or options.

To reduce the credit risk associated with operational activities, the Company has established credit limits to abridge the exposure of their debtors which are monitored permanently (mainly in case of operational activities in Brazil with travel agents).

As a way to mitigate credit risk related to financial activities, the Company requires that the counterparty to the financial activities remain at least investment grade by major Risk Assessment Agencies. Additionally the company has established maximum limits for investments which are monitored regularly.

(i) Financial activities

Cash surpluses that remain after the financing of assets necessary for the operation are invested according to credit limits approved by the Company's Board, mainly in time deposits with different financial institutions, private investment funds, short-term mutual funds, and easily-liquidated corporate and sovereign bonds with short remaining maturities. These investments are booked as Cash and cash equivalents and Other current financial assets.

In order to reduce counterparty risk and to ensure that the risk assumed is known and managed by the Company, investments are diversified among different banking institutions (both local and international). The Company evaluates the credit standing of each counterparty and the levels of investment, based on (i) their credit rating, (ii) the equity size of the counterparty, and (iii) investment limits according to the Company's level of liquidity. According to these three parameters, the Company chooses the most restrictive parameter of the previous three and based on this, establishes limits for operations with each counterparty.

The Company has no guarantees to mitigate this exposure.

(ii) Operational activities

The Company has four large sales "clusters": travel agencies, cargo agents, airlines and credit-card administrators. The first three are governed by International Air Transport Association, international ("IATA") organization comprising most of the airlines that represent over 90% of scheduled commercial traffic and one of its main objectives is to regulate the financial transactions between airlines and travel agents and cargo. When an agency or airline does not pay their debt, they are excluded from operating with IATA's member airlines. In the case of credit-card administrators, they are fully guaranteed by 100% by the issuing institutions.

The exposure consists of the term granted, which fluctuates between 1 and 45 days.

One of the tools the Company uses for reducing credit risk is to participate in global entities related to the industry, such as IATA, Business Sales Processing ("BSP"), Cargo Account Settlement Systems ("CASS"), IATA Clearing House ("ICH") and banks (credit cards). These institutions fulfill the role of collectors and distributors between airlines and travel and cargo agencies. In the case of the Clearing House, it acts as an offsetting entity between airlines for the services provided between them. A reduction in term and implementation of guarantees has been achieved through these entities. Currently the sales invoicing of TAM Linhas Aéreas S.A. related with travel agents and cargo agents for domestic transportation in Brazil is done directly by TAM Linhas Aéreas S.A.

Credit quality of financial assets

The external credit evaluation system used by the Company is provided by IATA. Internal systems are also used for particular evaluations or specific markets based on trade reports available on the local market. The internal classification system is complementary to the external one, i.e. for agencies or airlines not members of IATA, the internal demands are greater.

To reduce the credit risk associated with operational activities, the Company has established credit limits to abridge the exposure of their debtors which are monitored permanently (mainly in case of operational activities of TAM Linhas Aéreas S.A. with travel agents). The bad-debt rate in the principal countries where the Company has a presence is insignificant.

(c) Liquidity risk

Liquidity risk represents the risk that the Company has no funds to meet its obligations.

Because of the cyclical nature of the business, the operation, and its investment and financing needs related to the acquisition of new aircraft and renewal of its fleet, plus the financing needs related to market-risk hedges, the Company requires liquid funds to meet its payment obligations.

The Company therefore manages its cash and cash equivalents and its financial assets, matching the term of investments with those of its obligations. The Company's policy is that the average term of its investments may not exceed the average term of its obligations. This cash and cash equivalents position is invested in highly-liquid short-term instruments through first-class financial entities.

The Company has future obligations related to financial leases, operating leases, maturities of other bank borrowings, derivative contracts and aircraft purchase contracts.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2014
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective	Nominal
				90 days	90 days to one year	one to three years	three to five years	five years				rate	rate
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			%	%	
Loans to exporters													
97.032.000-8	BBVA	Chile	US\$	100,102	-	-	-	-	100,102	100,000	At expiration	0.40	0.40
97.036.000-K	SANTANDER	Chile	US\$	45,044	-	-	-	-	45,044	45,000	At expiration	0.34	0.34
97.006.000-6	ESTADO	Chile	US\$	55,076	-	-	-	-	55,076	55,000	At expiration	0.52	0.52
97.030.000-7	BCI	Chile	US\$	100,157	-	-	-	-	100,157	100,000	At expiration	0.47	0.47
76.645.030-K	ITAU	Chile	US\$	15,025	-	-	-	-	15,025	15,000	At expiration	0.65	0.65
97.951.000-4	HSBC	Chile	US\$	12,010	-	-	-	-	12,010	12,000	At expiration	0.50	0.50
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	16,575	48,581	121,945	17,621	-	204,722	188,268	Quarterly	4.85	4.85
0-E	CITIBANK	Argentina	ARS	1,298	18,700	-	-	-	19,998	17,542	Monthly	31.00	31.00
0-E	BBVA	Argentina	ARS	1,713	23,403	-	-	-	25,116	21,050	Monthly	33.00	33.00
97.036.000-K	SANTANDER	U.S.A.	US\$	1,610	3,476	283,438	-	-	288,524	282,967	Quarterly	2.33	2.33
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US\$	18,670	55,089	109,536	64,101	36,625	284,021	273,599	Quarterly	1.68	1.43
0-E	BNP PARIBAS	U.S.A.	US\$	9,634	29,259	80,097	83,020	190,070	392,080	351,217	Quarterly	2.13	2.04
0-E	WELLS FARGO	U.S.A.	US\$	35,533	106,692	285,218	286,264	698,052	1,411,759	1,302,968	Quarterly	2.26	1.57
0-E	CITIBANK	U.S.A.	US\$	19,149	57,915	156,757	160,323	347,710	741,854	684,114	Quarterly	2.24	1.49
97.036.000-K	SANTANDER	Chile	US\$	5,482	16,572	44,925	46,047	73,544	186,570	180,341	Quarterly	1.32	0.78
0-E	BTMU	U.S.A.	US\$	2,931	8,863	24,091	24,778	52,541	113,204	107,645	Quarterly	1.64	1.04
0-E	APPLE BANK	U.S.A.	US\$	1,437	4,358	11,849	12,206	26,318	56,168	53,390	Quarterly	1.63	1.03
0-E	US BANK	U.S.A.	US\$	18,713	56,052	148,622	147,357	376,792	747,536	648,158	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	5,834	17,621	47,600	30,300	78,509	179,864	155,279	Quarterly	3.25	3.25
0-E	NATIXIS	France	US\$	11,783	35,803	99,012	98,632	259,912	505,142	454,230	Quarterly	1.86	1.81
0-E	HSBC	U.S.A.	US\$	1,564	4,725	12,738	12,956	31,701	63,684	59,005	Quarterly	2.29	1.48
0-E	PK AirFinance US, Inc.	U.S.A.	US\$	2,074	6,378	18,091	19,836	28,763	75,142	69,721	Monthly	1.86	1.86
0-E	KFW IPEX-BANK	Germany	US\$	696	2,124	6,048	4,587	3,771	17,226	16,088	Quarterly	2.10	2.10
Other guaranteed obligations													
0-E	DVB BANK SE	U.S.A.	US\$	8,199	24,623	32,904	-	-	65,726	64,246	Quarterly	2.00	2.00
0-E	CREDIT AGRICOLE	U.S.A.	US\$	7,864	23,394	62,540	-	-	93,798	91,337	Quarterly	1.73	1.73
Financial leases													
0-E	ING	U.S.A.	US\$	9,137	27,520	58,821	34,067	12,134	141,679	126,528	Quarterly	4.84	4.33
0-E	CREDIT AGRICOLE	France	US\$	1,643	5,036	14,152	-	-	20,831	20,413	Quarterly	1.20	1.20
0-E	CITIBANK	U.S.A.	US\$	6,083	18,250	48,667	48,667	14,262	135,929	115,449	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	US\$	17,555	52,678	138,380	67,095	3,899	279,607	252,205	Quarterly	5.35	4.76
0-E	BNP PARIBAS	U.S.A.	US\$	11,240	33,917	91,743	60,834	10,974	208,708	191,672	Quarterly	4.14	3.68
0-E	WELLS FARGO	U.S.A.	US\$	5,604	16,784	44,705	44,615	46,394	158,102	139,325	Quarterly	3.98	3.53
0-E	DVB BANK S E	U.S.A.	US\$	4,701	14,145	33,201	-	-	52,047	50,569	Quarterly	1.89	1.89
0-E	US BANK	U.S.A.	US\$	326	6,247	5,455	-	-	12,028	11,981	Monthly	-	-
0-E	BANC OF AMERICA	U.S.A.	US\$	720	2,118	2,912	-	-	5,750	5,462	Monthly	1.41	1.41
Other loans													
0-E	BOEING	U.S.A.	US\$	-	4,994	180,583	-	-	185,577	179,507	At expiration	1.74	1.74
0-E	CITIBANK (*)	U.S.A.	US\$	6,825	20,175	209,730	209,778	104,852	551,360	450,000	Quarterly	6.00	6.00
Hedging derivatives													
-	OTHERS	-	US\$	11,702	30,761	48,667	7,311	245	98,686	93,513	-	-	-
Non - hedging derivatives													
-	OTHERS	-	US\$	1,002	628	-	-	-	1,630	730	-	-	-
Total				574,711	776,881	2,422,427	1,480,395	2,397,068	7,651,482	6,985,519			

(*) Securitized bond with the future flows from the sales with credit card in United States and Canada.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2014
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate	Nominal rate
				90 days	90 days to one year	one to three years	three to five years	five years					
Bank loans													
0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	184	493	1,315	1,315	1,369	4,676	3,796	Monthly	6.01	6.01
Obligation with the public													
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	14,639	82,006	481,920	148,037	880,604	1,607,206	1,100,000	At Expiration	7.99	7.19
Financial leases													
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	2,808	7,701	20,531	20,522	8,548	60,110	51,120	Monthly	1.25	1.25
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,623	10,709	28,593	15,908	7,736	66,569	63,021	Monthly	1.42	1.42
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	2,897	32,805	-	-	-	35,702	35,170	Quarterly	1.10	1.10
0-E	CREDIT AGRICOLE -CIB	France	US\$	1,653	4,683	4,514	-	-	10,850	10,500	Quarterly/Semiannual	3.25	3.25
0-E	DVB BANK SE	Germany	US\$	3,247	9,470	-	-	-	12,717	12,500	Quarterly	2.50	2.50
0-E	DVB BANK SE	U.S.A.	US\$	206	554	767	-	-	1,527	1,492	Monthly	1.68	1.68
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	2,512	11,229	24,278	-	-	38,019	36,848	Monthly	1.25	1.25
0-E	KFW IPEX-BANK	Germany	US\$	3,596	11,209	19,167	14,028	5,365	53,365	50,687	Monthly/Quarterly	1.72	1.72
0-E	NATIXIS	France	US\$	5,121	9,778	27,874	28,520	87,769	159,062	139,693	Quarterly/Semiannual	3.87	3.87
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	1,392	4,103	20,694	-	-	26,189	25,293	Monthly	1.75	1.75
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	573	1,528	3,559	2,852	13,226	21,738	19,982	Quarterly	2.00	2.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	9,777	27,207	75,066	78,964	170,509	361,523	344,106	Quarterly	3.06	3.58
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	8	-	-	-	-	8	-	Monthly	11.70	11.70
0-E	BANCO IBM S.A	Brazil	BRL	356	1,118	3,405	40	-	4,919	3,817	Monthly	10.58	10.58
0-E	HP FINANCIAL SERVICE	Brazil	BRL	276	829	1,381	-	-	2,486	2,229	Monthly	9.90	9.90
0-E	SOCIETE AIR FRANCE	France	EUR	547	-	-	-	-	547	114	Monthly	6.82	6.82
0-E	SOCIÉTÉ GÉNÉRALE	France	BRL	155	446	1,351	206	-	2,158	1,643	Monthly	11.60	11.60
Other loans													
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	30,281	15,576	-	-	-	45,857	45,857	Monthly	4.23	4.23
Total				83,851	231,444	714,415	310,392	1,175,126	2,515,228	1,947,868			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2014
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal	Amortization	Effective	Nominal
				90 days	90 days to one year	one to three years	three to five years	five years		value		rate	rate
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	%
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	529,043	26,483	-	-	-	555,526	555,526	-	-	-
			USD	1,107	10,449	-	-	-	11,556	11,431	Quarterly	2.11	2.11
			CLP	23,878	241	-	-	-	24,119	24,119	-	-	-
			BRL	380,766	13	-	-	-	380,779	380,779	-	-	-
			Others currencies	224,040	228	-	-	-	224,268	224,268	-	-	-
Accounts payable to related parties currents													
65.216.000-1	COMUNIDAD MUJER	Chile	CLP	2	-	-	-	-	2	2	-	-	-
78.591.370-1	BETHIA S.A. AND SUBSIDIARIES	Chile	CLP	6	-	-	-	-	6	6	-	-	-
0-E	INVERSORA AERONÁUTICA ARGENTINA	Argentina	US\$	27	-	-	-	-	27	27	-	-	-
	Total			1,158,869	37,414	-	-	-	1,196,283	1,196,158			
	Total consolidated			1,817,431	1,045,739	3,136,842	1,790,787	3,572,194	11,362,993	10,129,545			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2013
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate %	Nominal rate %	
				90 days	90 days to one year	one to three years	three to five years	five years						ThUS\$
Loans to exporters														
97.032.000-8	BBVA	Chile	US\$	-	30,100	-	-	-	30,100	30,000	At expiration	1.00	1.00	
97.036.000-K	SANTANDER	Chile	US\$	231,533	-	-	-	-	231,533	230,000	At expiration	1.63	1.63	
97.030.000-7	ESTADO	Chile	US\$	-	40,188	-	-	-	40,188	40,000	At expiration	1.06	1.06	
76.100.458-1	BLADEX	Chile	US\$	100,934	-	-	-	-	100,934	100,000	At expiration	1.87	1.87	
Bank loans														
97.036.000-K	SANTANDER	Chile	US\$	877	789	115,051	-	-	116,717	115,051	At expiration	3.19	3.19	
97.023.000-9	CORPBANCA	Chile	UF	19,001	55,465	139,603	84,505	-	298,574	268,460	Quarterly	4.85	4.85	
0-E	CITIBANK	Argentina	ARS	785	15,861	-	-	-	16,646	15,335	Monthly	20.75	20.75	
0-E	BBVA	Argentina	ARS	1,668	30,029	-	-	-	31,697	27,603	Monthly	23.78	23.78	
Guaranteed obligations														
0-E	ING	U.S.A.	US\$	4,031	12,065	32,213	32,203	28,234	108,746	91,543	Quarterly	5.69	5.01	
0-E	CREDIT AGRICOLE	France	US\$	11,862	35,886	83,920	10,139	-	141,807	140,312	Quarterly	1.99	1.99	
0-E	PEFCO	U.S.A.	US\$	2,280	6,839	-	-	-	9,119	8,964	Quarterly	3.06	2.73	
0-E	BNP PARIBAS	U.S.A.	US\$	11,325	34,296	93,368	96,444	237,865	473,298	418,254	Quarterly	2.45	2.31	
0-E	WELLS FARGO	U.S.A.	US\$	55,235	165,469	439,680	437,387	1,205,577	2,303,348	2,099,776	Quarterly	2.47	1.76	
0-E	CITIBANK	U.S.A.	US\$	11,540	34,748	93,687	95,226	168,917	404,118	372,191	Quarterly	2.64	2.04	
97.036.000-K	SANTANDER	Chile	US\$	5,420	16,374	44,359	45,459	96,694	208,306	200,599	Quarterly	1.32	0.78	
0-E	BTMU	U.S.A.	US\$	2,891	8,741	23,742	24,417	65,005	124,796	118,070	Quarterly	1.64	1.04	
0-E	APPLE BANK	U.S.A.	US\$	1,418	4,292	11,671	12,017	32,461	61,859	58,502	Quarterly	1.63	1.04	
0-E	US BANK	U.S.A.	US\$	18,699	56,022	148,643	147,528	449,705	820,597	703,992	Quarterly	2.81	2.81	
0-E	DEUTSCHE BANK	U.S.A.	US\$	5,760	17,500	47,175	39,021	93,773	203,229	173,036	Quarterly	3.27	3.27	
Other guaranteed obligations														
0-E	DVB BANK SE	U.S.A.	US\$	8,178	24,564	65,726	-	-	98,468	95,292	Quarterly	1.99	1.99	
Financial leases														
0-E	ING	U.S.A.	US\$	5,028	15,205	39,703	9,324	-	69,260	65,076	Quarterly	3.23	3.03	
0-E	CREDIT AGRICOLE	France	US\$	5,086	14,599	31,434	24,647	17,415	93,181	89,514	Quarterly	1.21	1.21	
0-E	CITIBANK	U.S.A.	US\$	2,009	6,028	16,075	16,075	8,038	48,225	40,564	Quarterly	6.38	5.65	
0-E	PEFCO	U.S.A.	US\$	17,566	52,678	140,462	115,934	23,211	349,851	308,774	Quarterly	5.35	4.23	
0-E	BNP PARIBAS	U.S.A.	US\$	7,984	24,056	64,890	59,475	7,139	163,544	147,334	Quarterly	4.65	4.15	
0-E	BANC OF AMERICA	U.S.A.	US\$	703	2,099	5,628	-	-	8,430	7,899	Monthly	1.43	1.43	
Other loans														
0-E	BOEING	U.S.A.	US\$	-	2,804	172,128	-	-	174,932	170,838	At expiration	1.75	1.75	
0-E	CITIBANK (*)	U.S.A.	US\$	9,750	20,100	131,865	209,810	209,684	581,209	450,000	Quarterly	6.00	6.00	
Hedging derivatives														
-	OTHERS	-	US\$	11,005	30,495	59,829	16,561	614	118,504	112,819	-	-	-	
Non - hedging derivatives														
-	OTHERS	-	US\$	1,120	3,203	1,618	-	-	5,941	5,562	-	-	-	
Total				553,688	760,495	2,002,470	1,476,172	2,644,332	7,437,157	6,705,360				

(*) Securitized bond with the future flows from the sales with credit card in United States and Canada.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2013
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal value	Amortization	Effective rate %	Nominal rate %
				90 days	90 days to one year	one to three years	three to five years	five years					
Bank loans													
0-E	CITIBANK	Brazil	US\$	2,410	44,071	-	-	-	46,481	43,885	At Expiration	3.76	3.20
0-E	BANCO DO BRASIL S.A.	Brazil	US\$	9,803	135,450	-	-	-	145,253	137,849	At Expiration	5.20	4.66
0-E	BANCO ITAU BBA	Brazil	US\$	29,142	50,737	-	-	-	79,879	73,830	At Expiration	6.31	4.73
0-E	BANCO SAFRA	Brazil	US\$	43,211	22,986	-	-	-	66,197	62,357	At Expiration	3.73	2.94
0-E	BANCO SAFRA	Brazil	BRL	200	447	52	-	-	699	684	Monthly	7.42	7.42
0-E	BANCO BRADESCO	Brazil	US\$	79,995	50,686	-	-	-	130,681	122,341	At Expiration	3.87	3.29
0-E	BANCO BRADESCO	Brazil	BRL	-	44,986	-	-	-	44,986	42,688	At Expiration	10.63	10.15
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	186	495	1,320	1,320	2,035	5,356	4,215	Monthly	6.01	6.01
Obligation with the public													
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	34,010	80,251	190,343	457,367	953,212	1,715,183	1,100,000	At Expiration	8.60	8.41
Financial leases													
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	2,850	7,728	20,609	20,609	18,892	70,688	58,321	Monthly	1.25	1.25
0-E	AIR CANADA	U.S.A.	US\$	1,325	1,645	-	-	-	2,970	2,970	Monthly	-	-
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,546	10,405	28,944	21,867	15,758	80,520	75,352	Monthly	1.42	1.42
0-E	AWAS	U.S.A.	US\$	5,651	4,432	-	-	-	10,083	5,651	Monthly	-	-
0-E	BNP PARIBAS	U.S.A.	US\$	722	2,008	5,705	6,283	8,648	23,366	22,082	Quarterly	1.00	1.00
0-E	BNP PARIBAS	France	US\$	872	2,397	6,387	6,394	10,385	26,435	22,359	Quarterly	0.86	0.75
0-E	CITIBANK	England	US\$	7,059	20,021	48,442	50,209	109,870	235,601	222,590	Quarterly	1.03	0.90
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,971	14,177	57,595	12,297	14,308	103,348	97,945	Quarterly	1.40	1.40
0-E	CREDIT AGRICOLE -CIB	France	US\$	8,834	26,771	61,037	51,629	53,270	201,541	195,396	Semiannual/Quarterly	0.75	0.65
0-E	DVB BANK SE	Germany	US\$	3,386	9,812	12,717	-	-	25,915	25,000	Quarterly	2.50	2.50
0-E	DVB BANK SE	U.S.A.	US\$	214	621	1,243	284	-	2,362	2,279	Monthly	1.75	1.75
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,709	48,803	-	-	-	52,512	51,978	Monthly	1.25	1.25
0-E	HSBC	France	US\$	1,611	4,480	12,148	12,461	37,705	68,405	64,296	Quarterly	1.45	1.25
0-E	KFW IPEX-BANK	Germany	US\$	4,463	13,067	30,880	21,672	18,232	88,314	82,718	Monthly/Quarterly	1.74	1.74
0-E	NATIXIS	France	US\$	9,619	20,117	58,917	62,444	124,621	275,718	246,128	Semiannual/Quarterly	2.81	2.78
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	3,491	10,137	43,583	19,001	38,965	115,177	106,403	Monthly	1.71	1.71
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	632	1,679	3,943	3,209	14,585	24,048	21,737	Quarterly	2.00	2.00
0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US\$	1,781	1,427	-	-	-	3,208	3,194	Monthly	1.25	1.25
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	14,113	39,557	96,309	102,366	105,460	357,805	334,095	Quarterly	3.86	3.78
0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	580	1,673	4,534	4,645	6,619	18,051	17,394	Quarterly	0.57	0.57
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	224	676	-	-	-	900	963	Monthly	10.38	10.38
0-E	BANCO IBM S.A	Brazil	BRL	184	205	630	306	-	1,325	1,050	Monthly	10.58	10.58
0-E	HP FINANCIAL SERVICE	Brazil	BRL	376	960	2,507	313	-	4,156	3,559	Monthly	9.90	9.90
0-E	SOCIETE AIR FRANCE	France	EUR	847	1,258	-	-	-	2,105	1,379	Monthly	6.82	6.82
Other loans													
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	27,244	537	-	-	-	27,781	27,781	Monthly	2.38	2.38
-	OTHERS	Brazil	US\$	496	1,156	-	-	-	1,652	1,652	-	-	-
Total				307,757	675,858	687,845	854,676	1,532,565	4,058,701	3,282,121			

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2013
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Nominal	Amortization	Effective rate %	Nominal rate %
				90 days	90 days to one year	one to three years	three to five years	five years		value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	814,354	7,245	-	-	-	821,599	821,599	-	-	-
			US\$	1,104	3,318	-	-	-	4,422	4,141	Quarterly	2.01	2.01
			CLP	16,364	6	-	-	-	16,370	16,370	-	-	-
			BRL	193,189	8	-	-	-	193,197	193,197	-	-	-
			BRL	5,220	14,878	-	-	-	20,098	14,569	Monthly	8.99	8.99
			Others currencies	213,904	615	-	-	-	214,519	214,519	-	-	-
Accounts payable, non-current													
-	OTHERS	OTHERS	US\$	-	-	11,557	-	-	11,557	11,400	Quarterly	2.01	2.01
			BRL	-	-	42,743	54,907	199,200	296,850	124,481	Monthly	8.99	8.99
Accounts payable to related parties currents													
96.847.880-K	LUFTHANSA LAN TECHNICAL TRAINING S.A.	Chile	US\$	187	-	-	-	-	187	187	-	-	-
78.591.370-1	BETHIA S.A. AND SUBSIDIARIES	Chile	CLP	14	-	-	-	-	14	14	-	-	-
0-E	INVERSORA AERONÁUTICA ARGENTINA	Argentina	US\$	304	-	-	-	-	304	304	-	-	-
	Total			<u>1,244,640</u>	<u>26,070</u>	<u>54,300</u>	<u>54,907</u>	<u>199,200</u>	<u>1,579,117</u>	<u>1,400,781</u>			
	Total consolidated			<u>2,106,085</u>	<u>1,462,423</u>	<u>2,744,615</u>	<u>2,385,755</u>	<u>4,376,097</u>	<u>13,074,975</u>	<u>11,388,262</u>			

The Company has fuel, interest rate and exchange rate hedging strategies involving derivatives contracts with different financial institutions. The Company has margin facilities with each financial institution in order to regulate the mutual exposure produced by changes in the market valuation of the derivatives.

At the end of 2013, the Company provided US\$ 94.3 million in derivative margin guarantees, for cash and stand-by letters of credit. At December 31, 2014, the Company had provided US\$ 91.8 million in guarantees for Cash and cash equivalent and stand-by letters of credit. The fall was due at i) maturity of hedge contracts, ii) acquire of new fuel purchase contracts, and iii) changes in fuel prices, exchange rate R\$/US\$ and interest rates.

3.2. Capital risk management

The Company's objectives, with respect to the management of capital, are (i) to safeguard it in order to continue as an on-going business, (ii) to seek a return for its shareholders, and (iii) to maintain an optimum capital structure and reduce its costs.

In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors the adjusted leverage rate, in line with industry practice. This rate is calculated as net adjusted debt divided by the sum of adjusted equity and net adjusted debt. Net adjusted debt is total financial debt plus 8 times the operating lease payments of the last 12 months, less total cash (measured as the sum of cash and cash equivalents plus marketable securities). Adjusted capital is the amount of net equity without the impact of the market value of derivatives.

The Company's strategy, which has not changed since 2007, has consisted of maintaining an adjusted leverage rate of between 70% and 80% and an international credit rating of higher than BBB- (the minimum required for being considered investment grade). As a result of consolidation with TAM S.A. and Subsidiaries, the rating agency Fitch has issued on May 2, 2014 a new long-term rating for the Company of BB with negative perspective (which is not an investment grade rating). Additionally, on June 10, 2013, S&P issued a long term rating of BB, with a positive outlook.

Adjusted leverage ratios:

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Total financial loans	8,817,215	9,830,866
Last twelve months Operating lease payment x 8	4,171,072	3,528,616
Less:		
Cash and marketable securities	(1,533,770)	(2,561,574)
Total net adjusted debt	<u>11,454,517</u>	<u>10,797,908</u>
Net Equity	4,401,896	5,238,821
Cash flow hedging reserve	151,340	34,508
Adjusted equity	<u>4,553,236</u>	<u>5,273,329</u>
Total adjusted debt and equity	<u>16,007,753</u>	<u>16,071,237</u>
Adjusted leverage	71.6%	67.2%

See information related to financial covenants in Note 31 (a).

3.3. Estimates of fair value.

At December 31, 2014, the Company maintained financial instruments that should be recorded at fair value. These are grouped into two categories:

1. Hedge Instruments:

This category includes the following instruments:

- Interest rate derivative contracts,
- Fuel derivative contracts,
- Currency derivative contracts

2. Financial Investments:

This category includes the following instruments:

- Investments in short-term Mutual Funds (cash equivalent),
- Bank certificate of deposit – CBD,
- Private investment funds

The Company has classified the fair value measurement using a hierarchy that reflects the level of information used in the assessment. This hierarchy consists of 3 levels (I) fair value based on quoted prices in active markets for identical assets or liabilities, (II) fair value calculated through valuation methods based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) and (III) fair value based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets, such as investments acquired for trading, is based on quoted market prices at the close of the period using the current price of the buyer. The fair value of financial assets not traded in active markets (derivative contracts) is determined using valuation techniques that maximize use of available market information. Valuation techniques generally used by the Company are quoted market prices of similar instruments and / or estimating the present value of future cash flows using forward price curves of the market at period end.

The following table shows the classification of financial instruments at fair value, depending on the level of information used in the assessment:

	As of December 31, 2014				As of December 31, 2013			
	Fair value measurements using values considered as				Fair value measurements using values considered as			
	Fair value ThUS\$	Level I ThUS\$	Level II ThUS\$	Level III ThUS\$	Fair value ThUS\$	Level I ThUS\$	Level II ThUS\$	Level III ThUS\$
Assets								
Cash and cash equivalents	200,753	200,753	-	-	579,349	579,349	-	-
Short-term mutual funds	200,753	200,753	-	-	579,349	579,349	-	-
Other financial assets, current	546,535	526,081	20,454	-	625,086	546,116	78,970	-
Fair value of interest rate derivatives	1	-	1	-	6	-	6	-
Fair value of fuel derivatives	1,783	-	1,783	-	15,868	-	15,868	-
Fair value of foreign currency derivatives	-	-	-	-	32,058	-	32,058	-
Interest accrued since the last payment date of Cross Currency Swap	377	-	377	-	483	-	483	-
Private investment funds	480,777	480,777	-	-	544,182	544,182	-	-
Certificate of deposit CDB	18,293	-	18,293	-	2,374	-	2,374	-
Domestic and foreign bonds	41,111	41,111	-	-	351	351	-	-
Time deposit	-	-	-	-	28,181	-	28,181	-
Other investments	4,193	4,193	-	-	1,583	1,583	-	-
Liabilities								
Other financial liabilities, current	227,233	-	227,233	-	70,506	-	70,506	-
Fair value of interest rate derivatives	26,395	-	26,395	-	32,070	-	32,070	-
Fair value of fuel derivatives	157,233	-	157,233	-	-	-	-	-
Fair value of foreign currency derivatives	37,242	-	37,242	-	28,621	-	28,621	-
Interest accrued since the last payment date of Currency Swap	5,173	-	5,173	-	5,775	-	5,775	-
Interest rate derivatives not recognized as a hedge	1,190	-	1,190	-	4,040	-	4,040	-
Other financial liabilities, non current	28,327	-	28,327	-	56,397	-	56,397	-
Fair value of interest rate derivatives	28,327	-	28,327	-	54,906	-	54,906	-
Interest rate derivatives not recognized as a hedge	-	-	-	-	1,491	-	1,491	-

Additionally, at December 31, 2014, the Company has financial instruments which are not recorded at fair value. In order to meet the disclosure requirements of fair values, the Company has valued these instruments as shown in the table below:

	As of December 31, 2014		As of December 31, 2013	
	Book	Fair	Book	Fair
	value	value	value	value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	788,643	788,643	1,405,554	1,405,554
Cash on hand	11,568	11,568	6,017	6,017
Bank balance	239,514	239,514	229,935	229,935
Overnight	154,666	154,666	508,781	508,781
Time deposits	382,895	382,895	660,821	660,821
Other financial assets, current	103,866	103,866	84,858	84,858
Other financial assets	103,866	103,866	84,858	84,858
Trade and other accounts receivable current	1,378,837	1,378,837	1,633,094	1,633,094
Accounts receivable from related entities	308	308	628	628
Other financial assets, non current	84,986	84,986	65,289	65,289
Accounts receivable	30,465	30,465	100,775	100,775
Other financial liabilities, current	1,397,382	1,446,100	1,969,281	2,128,096
Trade and other accounts payables	1,489,396	1,489,396	1,557,736	1,557,736
Accounts payable to related entities	35	35	505	505
Other financial liabilities, non current	7,360,685	8,319,022	7,803,588	7,910,446
Accounts payable, non-current	577,454	577,454	922,887	922,887

The book values of accounts receivable and payable are assumed to approximate their fair values, due to their short-term nature. In the case of cash on hand, bank balances, overnight, time deposits and accounts payable, non-current, fair value approximates their carrying values.

The fair value of Other financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments. In the case of Other financial assets, the valuation was performed according to market prices at period end.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has used estimates to value and book some of the assets, liabilities, revenues, expenses and commitments; these relate principally to:

- (a) The evaluation of possible impairment losses for certain assets.
- (b) The useful lives and residual values of fixed and intangible assets.

- (c) The criteria employed in the valuation of certain assets.
- (d) Air tickets sold that are not actually used.
- (e) The calculation of deferred income at the end of the period, corresponding to the valuation of kilometers or points credited to holders of the loyalty programs which have not yet been used.
- (f) The need for provisions and where required, the determination of their values.
- (g) The recoverability of deferred tax assets.

These estimates are made on the basis of the best information available on the matters analyzed.

In any case, it is possible that events will require modification of the estimates in the future, in which case the effects would be accounted for prospectively.

The management has applied judgment in determining that LATAM Airlines Group S.A. has control over TAM S.A. and Subsidiaries for accounting purposes and therefore has consolidated their financial statements. This judgment is made on the basis that LATAM issued their ordinary shares in exchange for all of the outstanding common and preferred shares of TAM, except those shareholders of TAM who did not accept exchange and which were subject of the squeeze-out entitling LATAM to substantially all of the economic benefits that will be generated by the LATAM Group and also, consequently, exposing it to substantially all the risks incidental to the operations of TAM. This exchange aligns the economic interests of LATAM and all of its shareholders, including the TAM controlling shareholders, ensuring that the shareholders and directors of TAM will have no incentive to exercise their rights in a manner that is beneficial to TAM but detrimental to LATAM. Further, all significant actions required for the operation of the airlines require the affirmative vote of both LATAM and the TAM controlling shareholders.

Since the integration of LAN and TAM operations, most critical airline activities in Brazil have been managed under the TAM CEO and global activities have been managed by the LATAM CEO, who is in charge of the overall operation of the LATAM Group and who reports to the LATAM board. Further, the LATAM CEO evaluates performance of the LATAM Group executives and, together with the LATAM board, determines compensation. Although there are restrictions on voting interests that currently may be held by foreign investors under Brazilian law, LATAM believes that the economic substance of these arrangements satisfies the requirements established by the applicable accounting standards and that consolidation by LATAM of TAM's operations is appropriate.

NOTE 5 - SEGMENTAL INFORMATION

The Company has determined that it has two operating segments: the air transportation business and the coalition and loyalty program Multiplus.

The Air transport segment corresponds to the route network for air transport and it is based on the way that the business is run and managed, according to the centralized nature of its operations, the ability to open and close routes and reallocate resources (aircraft, crew, staff, etc..) within the network, which is a functional relationship between all of them, making them inseparable. This segment definition is the most common level used by the global airline industry.

The segment of loyalty coalition called Multiplus, unlike LanPass and TAM Fidelidade, is a frequent flyer programs which operate as a unilateral system of loyalty that offers a flexible coalition system, interrelated among its members, with 13.8 million of members, along with being a government entity with a separately business and not directly related to air transport.

(a) For the periods ended

	Air transportation		Coalition and loyalty program Multiplus		Eliminations		Consolidated	
	At December 31,		At December 31,		At December 31,		At December 31,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Income from ordinary activities from external customers (*)	11,587,224	12,328,634	506,277	595,903	-	-	12,093,501	12,924,537
LAN passenger	4,464,761	4,731,296	-	-	-	-	4,464,761	4,731,296
TAM passenger	5,409,084	5,734,359	506,277	595,903	-	-	5,915,361	6,330,262
Freight	1,713,379	1,862,979	-	-	-	-	1,713,379	1,862,979
Income from ordinary activities from transactions with other operating segments	506,277	595,903	106,030	94,457	(612,307)	(690,360)	-	-
Other operating income	217,390	272,640	160,255	68,925	-	-	377,645	341,565
Interest income	32,390	49,737	58,110	34,280	-	(11,189)	90,500	72,828
Interest expense	(430,030)	(472,171)	(4)	(1,542)	-	11,189	(430,034)	(462,524)
Total net interest expense	(397,640)	(422,434)	58,106	32,738	-	-	(339,534)	(389,696)

(*) The Company does not have any interest revenue that should be recognized as income from ordinary activities by interest.

For the periods ended	Air transportation		Coalition and loyalty program Multiplus		Eliminations		Consolidated	
	At December 31,		At December 31,		At December 31,		At December 31,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation and amortization	(983,847)	(1,037,734)	(7,417)	(3,999)	-	-	(991,264)	(1,041,733)
Material non-cash items other than depreciation and amortization	(168,573)	(523,666)	(2,350)	59	-	-	(170,923)	(523,607)
Disposal of fixed assets and inventory losses	(28,756)	(33,987)	(814)	(123)	-	-	(29,570)	(34,110)
Doubtful accounts	(9,637)	(7,754)	(1,522)	217	-	-	(11,159)	(7,537)
Exchange differences	(130,187)	(482,139)	(14)	(35)	-	-	(130,201)	(482,174)
Result of indexation units	7	214	-	-	-	-	7	214
Income (loss) attributable to owners of the parents	(254,151)	(389,040)	144,361	107,926	-	-	(109,790)	(281,114)
Participation of the entity in the income of associates	(2,175)	1,954	(4,280)	-	-	-	(6,455)	1,954
Expenses for income tax	(68,293)	72,155	(73,901)	(52,086)	-	-	(142,194)	20,069
Segment profit / (loss)	(182,077)	(344,337)	105,116	80,518	-	-	(76,961)	(263,819)
Assets of segment	18,759,848	21,520,500	1,773,584	1,118,686	(49,002)	(8,040)	20,484,430	22,631,146
Investments in associates	-	3,572	-	3,024	-	-	-	6,596
Amount of non-current asset additions	1,522,298	1,746,913	-	-	-	-	1,522,298	1,746,913
Property, plant and equipment	1,444,402	1,685,011	-	-	-	-	1,444,402	1,685,011
Intangibles other than goodwill	77,896	61,902	-	-	-	-	77,896	61,902
Segment liabilities	15,293,668	16,604,451	723,438	775,975	(36,371)	(75,739)	15,980,735	17,304,687
Purchase of non-monetary assets of segment	1,496,204	1,425,270	-	-	-	-	1,496,204	1,425,270

The Company's revenues by geographic area are as follows:

	For the periods ended	
	At December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Peru	660,057	646,217
Argentina	813,472	950,595
U.S.A.	1,224,264	1,290,493
Europe	935,893	937,539
Colombia	391,678	387,999
Brazil	5,361,594	5,572,884
Ecuador	248,585	273,712
Chile	1,589,202	1,698,476
Asia Pacific and rest of Latin America	868,756	1,166,622
Income from ordinary activities	<u>12,093,501</u>	<u>12,924,537</u>
Other operating income	<u>377,645</u>	<u>341,565</u>

The Company allocates revenues by geographic area based on the point of sale of the passenger ticket or cargo. Assets are composed primarily of aircraft and aeronautical equipment, which are used throughout the different countries, so it is not possible to assign a geographic area.

The Company has no customers that individually represent more than 10% of sales.

NOTE 6 - CASH AND CASH EQUIVALENTS

	As of	As of
	December 31,	December 31,
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Cash on hand	11,568	6,017
Bank balances	239,514	229,935
Overnight	154,666	508,781
Total Cash	<u>405,748</u>	<u>744,733</u>
Cash equivalents		
Time deposits	382,895	660,821
Mutual funds	200,753	579,349
Total cash equivalents	<u>583,648</u>	<u>1,240,170</u>
Total cash and cash equivalents	<u>989,396</u>	<u>1,984,903</u>

Cash and cash equivalents are denominated in the following currencies:

Currency	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
Argentine peso	44,697	59,018
Brazilian real	45,591	253,392
Chilean peso (*)	30,758	229,918
Colombian peso	17,188	28,132
Euro	9,639	16,571
US Dollar	745,214	1,200,828
Strong bolivar (**)	63,236	162,809
Other currencies	33,073	34,235
Total	989,396	1,984,903

(*) The Company no maintain currency derivative contracts (forward) at December 31, 2014 (ThUS\$ 174,020 as of December 31, 2013), for conversion into dollars of investments in pesos.

(**) In Venezuela, effective 2003, the authorities decreed that all remittances abroad should be approved by the Currency Management Commission (CADIVI). Despite having free availability of bolivars in Venezuela, the Company has certain restrictions for freely remitting these funds outside Venezuela.

During 2014, in accordance with the acceptance of the Company about the proposal Bolivarian Republic of Venezuela regarding the repatriation of foreign exchange through the so-called “request of acquisition of foreign exchange”, the Company has modified the exchange rate used in determining equivalence of United States Dollar in cash and cash equivalents held in Strong Bolivar, from 6.3 VEF/US\$ to 12.0 VEF/US\$, which represented a loss by foreign exchange, amounting to the sum of ThUS\$ 61,021.

The Company has done significant non-cash transactions mainly with financial leases, which are detailed in Note 16 letter (d), additional information in numeral (iv) Financial leases.

Other inflows (outflows) of cash:

	For the periods ended December 31,	
	<u>2014</u> ThUS\$	<u>2013</u> ThUS\$
Currency hedge	(1,153)	-
Fuel hedge	(45,365)	11,413
Hedging margin guarantees	(64,334)	88,925
Guarantees	(86,006)	(5,001)
Fuel derivatives premiums	(7,075)	(4,041)
Bank commissions, taxes paid and other	<u>(47,724)</u>	<u>(14,535)</u>
Total Other inflows (outflows) Operation flow	<u>(251,657)</u>	<u>76,761</u>
Certificate of bank deposits	<u>(17,399)</u>	<u>75,448</u>
Total Other inflows (outflows) Investment flow	<u>(17,399)</u>	<u>75,448</u>
Aircraft Financing advances	8,669	24,650
Credit card loan manager	23,864	(8,965)
Settlement of derivative contracts	(42,962)	(61,897)
Breakage	-	(16,280)
Other	<u>(3,348)</u>	<u>479</u>
Total Other inflows (outflows) Financing flow	<u>(13,777)</u>	<u>(62,013)</u>

NOTE 7 - FINANCIAL INSTRUMENTS

7.1. Financial instruments by category

As of December 31, 2014

<u>Assets</u>	Loans and receivables	Hedge derivatives	Held for trading	Initial designation as fair value through profit and loss	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	788,643	-	-	200,753	989,396
Other financial assets, current (*)	103,866	2,161	41,111	503,263	650,401
Trade and others					
accounts receivable, current	1,378,837	-	-	-	1,378,837
Accounts receivable from related entities, current	308	-	-	-	308
Other financial assets, non current (*)	84,495	-	491	-	84,986
Accounts receivable, non current	30,465	-	-	-	30,465
Total	<u>2,386,614</u>	<u>2,161</u>	<u>41,602</u>	<u>704,016</u>	<u>3,134,393</u>
<u>Liabilities</u>		Other financial liabilities	Hedge derivatives	Held for trading	Total
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other liabilities, current		1,397,382	226,043	1,190	1,624,615
Trade and others					
accounts payable, current		1,489,396	-	-	1,489,396
Accounts payable to related entities, current		35	-	-	35
Other financial liabilities, non-current		7,360,685	28,327	-	7,389,012
Accounts payable, non-current		577,454	-	-	577,454
Total		<u>10,824,952</u>	<u>254,370</u>	<u>1,190</u>	<u>11,080,512</u>

(*) The value presented as initial designation as fair value through profit and loss, corresponds mainly to private investment funds; and loans and receivables corresponds to guarantees given.

At December 31, 2013

<u>Assets</u>	Loans and receivables	Hedge derivatives	Held for trading	Initial designation	<u>Total</u>
				as fair value through profit and loss	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	1,405,554	-	-	579,349	1,984,903
Other financial assets, current (*)	83,136	48,415	2,073	576,320	709,944
Trade and others					
accounts receivable, current	1,633,094	-	-	-	1,633,094
Accounts receivable from related entities, current	628	-	-	-	628
Other financial assets, non current (*)	64,783	-	506	-	65,289
Accounts receivable, non current	100,775	-	-	-	100,775
Total	3,287,970	48,415	2,579	1,155,669	4,494,633
<u>Liabilities</u>		Other financial liabilities	Hedge derivatives	Held for trading	<u>Total</u>
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other liabilities, current		1,969,281	66,466	4,040	2,039,787
Trade and others					
accounts payable, current		1,557,736	-	-	1,557,736
Accounts payable to related entities, current		505	-	-	505
Other financial liabilities, non-current		7,803,588	54,906	1,491	7,859,985
Accounts payable, non-current		922,887	-	-	922,887
Total		12,253,997	121,372	5,531	12,380,900

(*) The value presented as initial designation as fair value through profit and loss, corresponds mainly to private investment funds; and loans and receivables corresponds to guarantees given.

7.2. Financial instruments by currency

a) Assets	As of	As of
	December 31, <u>2014</u> ThUS\$	December 31, <u>2013</u> ThUS\$
Cash and cash equivalents	989,396	1,984,903
Argentine peso	44,697	59,018
Brazilian real	45,591	253,392
Chilean peso	30,758	229,918
Colombian peso	17,188	28,132
Euro	9,639	16,571
US Dollar	745,214	1,200,828
Strong bolivar	63,236	162,809
Other currencies	33,073	34,235
Other financial assets (current and non-current)	735,387	775,233
Argentine peso	45,169	1,007
Brazilian real	500,875	577,973
Chilean peso	26,881	27,555
Colombian peso	406	2,550
Euro	4,244	5,494
US Dollar	156,687	159,563
Strong bolivar	43	14
Other currencies	1,082	1,077
Trade and other accounts receivable, current	1,378,837	1,633,094
Argentine peso	100,798	27,343
Brazilian real	528,404	802,789
Chilean peso	131,191	82,880
Colombian peso	9,021	9,762
Euro	38,764	21,479
US Dollar	369,774	520,991
Strong bolivar	4,895	2,353
Other currencies (*)	195,990	165,497
Accounts receivable, non-current	30,465	100,775
Brazilian real	761	1,194
Chilean peso	5,814	8,624
US Dollar	23,734	90,755
Other currencies (*)	156	202
Accounts receivable from related entities, current	308	628
Brazilian real	9	162
Chilean peso	299	466
Total assets	3,134,393	4,494,633
Argentine peso	190,664	87,368
Brazilian real	1,075,640	1,635,510
Chilean peso	194,943	349,443
Colombian peso	26,615	40,444
Euro	52,647	43,544
US Dollar	1,295,409	1,972,137
Strong bolivar	68,174	165,176
Other currencies	230,301	201,011

(*) See the composition of the others currencies in Note 8 Trade, other accounts receivable and non-current accounts receivable.

b) Liabilities

Liabilities information is detailed in the table within Note 3 Financial risk management.

NOTE 8 - TRADE AND OTHER ACCOUNTS RECEIVABLE CURRENT,
AND NON-CURRENT ACCOUNTS RECEIVABLE

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Trade accounts receivable	1,269,435	1,552,489
Other accounts receivable	210,909	251,982
Total trade and other accounts receivable	<u>1,480,344</u>	<u>1,804,471</u>
Less: Allowance for impairment loss	(71,042)	(70,602)
Total net trade and accounts receivable	<u>1,409,302</u>	<u>1,733,869</u>
Less: non-current portion – accounts receivable	(30,465)	(100,775)
Trade and other accounts receivable, current	<u><u>1,378,837</u></u>	<u><u>1,633,094</u></u>

The fair value of trade and other accounts receivable does not differ significantly from the book value.

The maturity of these accounts at the end of each period is as follows:

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Day	1,088,364	1,378,226
Matured accounts receivable, but not impaired		
Expired from 1 to 90 days	83,599	72,417
Expired from 91 to 180 days	11,521	11,547
More than 180 days overdue (*)	14,909	19,697
Total matured accounts receivable, but not impaired	<u>110,029</u>	<u>103,661</u>
Matured accounts receivable and impaired		
Judicial, pre-judicial collection and protested documents	53,956	19,630
Debtor under pre-judicial collection process and portfolio sensitization	<u>17,086</u>	<u>50,972</u>
Total matured accounts receivable and impaired	<u>71,042</u>	<u>70,602</u>
Total	<u><u>1,269,435</u></u>	<u><u>1,552,489</u></u>

(*) Value of this segment corresponds primarily to accounts receivable that were evaluated in their ability to recover, therefore not requiring a provision.

Currency balances that make up the Trade and other accounts receivable and non-current accounts receivable:

<u>Currency</u>	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Argentine Peso	100,798	27,343
Brazilian Real	529,165	803,983
Chilean Peso	137,005	91,504
Colombian peso	9,021	9,762
Euro	38,764	21,479
US Dollar	393,508	611,746
Strong bolivar	4,895	2,353
Other currency (*)	196,146	165,699
Total	<u>1,409,302</u>	<u>1,733,869</u>
(*) Other currencies		
Australian Dollar	15,243	26,198
Chinese Yuan	35,626	22,887
Danish Krone	8,814	6,899
Pound Sterling	33,624	15,256
Indian Rupee	1,887	5,343
Japanese Yen	4,635	10,332
Norwegian Kroner	16,516	14,970
Swiss Franc	5,701	6,645
Korean Won	25,203	16,929
New Taiwanese Dollar	10,323	9,670
Other currencies	38,574	30,570
Total	<u>196,146</u>	<u>165,699</u>

The Company records allowances when there is evidence of impairment of trade receivables. The criteria used to determine that there is objective evidence of impairment losses are the maturity of the portfolio, specific acts of damage (default) and specific market signals.

<u>Maturity</u>	<u>Impairment</u>
Judicial and pre-judicial collection assets	100%
Over 1 year	100%
Between 6 and 12 months	50%

Movement in the allowance for impairment loss of Trade and other accounts receivables:

Periods	Opening balance ThUS\$	Write-offs ThUS\$	(Increase) Decrease ThUS\$	Addition for business combination ThUS\$	Differences by subsidiaries ThUS\$	Closing balance ThUS\$
From January 1 to December 31, 2013	(75,503)	9,928	(5,027)	-	-	(70,602)
From January 1 to December 31, 2014	(70,602)	6,864	(7,304)	-	-	(71,042)

Once pre-judicial and judicial collection efforts are exhausted, the assets are written off against the allowance. The Company only uses the allowance method rather than direct write-off, to ensure control.

Historic and current re-negotiations are not relevant and the policy is to analyze case by case in order to classify them according to the existence of risk, determining whether it is appropriate to re-classify accounts to pre-judicial recovery. If such re-classification is justified, an allowance is made for the account, whether overdue or falling due.

The maximum credit-risk exposure at the date of presentation of the information is the fair value of each one of the categories of accounts receivable indicated above.

	As of December 31, 2014			As of December 31, 2013		
	Gross exposure according to balance	Gross impaired exposure	Exposure net of risk concentrations	Gross exposure according to balance	Gross Impaired exposure	Exposure net of risk concentrations
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade accounts receivable	1,269,435	(71,042)	1,198,393	1,552,489	(70,602)	1,481,887
Other accounts receivable	210,909	-	210,909	251,982	-	251,982

There are no relevant guarantees covering credit risk and these are valued when they are settled; no materially significant direct guarantees exist. Existing guarantees, if appropriate, are made through IATA.

NOTE 9 - ACCOUNTS RECEIVABLE FROM/PAYABLE TO RELATED ENTITIES

(a) Accounts Receivable

<u>Tax No.</u>	<u>Related party</u>	<u>Relationship</u>	<u>Country of origin</u>	<u>Currency</u>	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
78.591.370-1	Bethia S.A. and Subsidiaries	Others related parties	Chile	CLP	284	441
79.773.440-1	Transportes San Felipe S.A.	Others related parties	Chile	CLP	-	1
87.752.000-5	Granja Marina Tornagaleones S.A.	Others related parties	Chile	CLP	15	24
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Others related parties	Brazil	BRL	-	2
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Others related parties	Brazil	BRL	-	14
Foreign	Prisma Fidelidade S.A.	Joint Venture	Brazil	BRL	9	146
	Total current assets				<u>308</u>	<u>628</u>

(b) Accounts payable

<u>Tax No.</u>	<u>Related party</u>	<u>Relationship</u>	<u>Country of origin</u>	<u>Currency</u>	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	US\$	-	187
65.216.000-K	Comunidad Mujer	Other related parties	Chile	CLP	2	-
78.591.370-1	Bethia S.A. and Subsidiaries	Other related parties	Chile	CLP	6	14
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	US\$	<u>27</u>	<u>304</u>
	Total current liabilities				<u>35</u>	<u>505</u>

Transactions between related parties have been carried out on free-trade conditions between interested and duly-informed parties. The transaction times are between 30 and 45 days, and the nature of settlement of the transactions is monetary.

NOTE 10 -INVENTORIES

	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Technical stock	229,313	190,202
Non-technical stock	<u>36,726</u>	<u>40,826</u>
Total production suppliers	<u><u>266,039</u></u>	<u><u>231,028</u></u>

The items included in this heading are spare parts and materials that will be used mainly in consumption in in-flight and maintenance services provided to the Company and third parties, which are valued at average cost, net of provision for obsolescence that as of December 31, 2014 amounts to ThUS\$ 2,982 (ThUS\$ 1,757 as of December 31, 2013). The resulting amounts do not exceed the respective net realizable values.

As of December 31, 2014, the Company recorded ThUS\$ 189,864 (ThUS\$ 160,068 as of December 31, 2013) within the income statement, mainly due to in-flight consumption and maintenance, which forms part of Cost of sales.

During 2014 no reversals of write-downs resulting from an increase in net realizable value.

NOTE 11 - OTHER FINANCIAL ASSETS

The composition of Other financial assets is as follows:

	Current Assets		Non-current assets		Total Assets	
	As of					
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
(a) Other financial assets						
Private investment funds	480,777	544,182	-	-	480,777	544,182
Deposits in guarantee (aircraft)	8,458	51,879	70,155	49,893	78,613	101,772
Certificate of deposit (CBD)	18,293	2,374	-	-	18,293	2,374
Time deposits	-	28,181	-	-	-	28,181
Guarantees for margins of derivatives	92,556	28,157	-	-	92,556	28,157
Deposits in guarantee (loan)	-	-	11,116	11,753	11,116	11,753
Other investments	4,193	1,583	491	506	4,684	2,089
Domestic and foreign bonds	41,111	351	-	-	41,111	351
Other guarantees given	2,852	4,822	3,224	3,137	6,076	7,959
Subtotal of other financial assets	648,240	661,529	84,986	65,289	733,226	726,818
(b) Hedging assets						
Interest accrued since the last payment date of Cross currency swap	377	483	-	-	377	483
Fair value of interest rate derivatives	1	6	-	-	1	6
Fair value of foreign currency derivatives (1)	-	32,058	-	-	-	32,058
Fair value of fuel price derivatives	1,783	15,868	-	-	1,783	15,868
Subtotal of hedging assets	2,161	48,415	-	-	2,161	48,415
Total Other Financial Assets	650,401	709,944	84,986	65,289	735,387	775,233

(1) The foreign currency derivatives exchange is collars and cross currency swap.

The types of derivative hedging contracts maintained by the Company at the end of each period are presented in Note 18.

NOTE 12 - OTHER NON-FINANCIAL ASSETS

The composition of Other non-financial assets is as follows:

	Current assets		Non-current assets		Total Assets	
	As of					
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
(a) Advance payments						
Aircraft leases	26,039	28,555	26,201	17,332	52,240	45,887
Aircraft insurance and other	12,160	13,180	-	-	12,160	13,180
Others	17,970	14,657	36,450	38,557	54,420	53,214
Subtotal advance payments	56,169	56,392	62,651	55,889	118,820	112,281
(b) Other assets						
Aircraft maintenance reserve (*)	31,108	152,797	123,588	79,012	154,696	231,809
Sales tax	155,795	120,215	64,652	65,936	220,447	186,151
Other taxes	3,513	5,556	-	-	3,513	5,556
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	599	657	453	515	1,052	1,172
Judicial deposits	-	-	90,450	70,380	90,450	70,380
Others	687	-	1,019	544	1,706	544
Subtotal other assets	191,702	279,225	280,162	216,387	471,864	495,612
Total Other Non - Financial Assets	247,871	335,617	342,813	272,276	590,684	607,893

(*) Aircraft maintenance reserves reflect prepayment deposits made by the group to lessors of certain aircraft under operating lease agreements in order to ensure that funds are available to support the scheduled heavy maintenance of the aircraft.

These amounts are calculated based on performance measures, such as flight hours or cycles, are payable periodically (usually monthly) and are contractually required to be repaid to the lessee upon the completion of the required maintenance of the leased aircraft. At the end of the lease term, any unused maintenance reserves are either returned to the Company in cash or used to offset amounts that we may owe the lessor as a maintenance adjustment.

In some cases (5 lease agreements), if the maintenance cost incurred by LATAM is less than the corresponding maintenance reserves, the lessor is entitled to retain those excess amounts at the time the heavy maintenance is performed. The Company periodically reviews its maintenance reserves for each of its leased aircraft to ensure that they will be recovered, and recognizes an expense if any such amounts are less than probable of being returned. Since the acquisition of TAM in June 2012, the cost of aircraft maintenance has been higher than the related maintenance reserves for all aircraft.

As of December 31, 2014, LATAM had ThUS\$ 154,696 in maintenance reserves (ThUS\$ 231,809 at December 31, 2013), corresponding to 12 aircraft out of a total fleet of 327 (21 aircraft out of a total fleet of 339 at December 31, 2013). All of the Company's aircraft leases containing provisions for maintenance reserves will expire fully by 2017.

Aircraft maintenance reserves are classified as current or non-current depending on the dates when the related maintenance is expected to be performed (Note 2.23).

NOTE 13 - INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

The Company has investments in companies recognized as investments in subsidiaries. All the companies defined as subsidiaries have been consolidated within the financial statements of LATAM Airlines Group S.A. and Subsidiaries. The consolidation also includes special-purpose entities and private investment funds.

Detail of significant subsidiaries and summarized financial information:

<u>Name of significant subsidiary</u>	<u>Country of incorporation</u>	<u>Functional currency</u>	<u>Ownership</u>	
			<u>As of December 31, 2014 %</u>	<u>As of December 31, 2013 %</u>
Lan Perú S.A.	Peru	US\$	69.97858	69.97858
Lan Cargo S.A.	Chile	US\$	99.89803	99.89803
Lan Argentina S.A.	Argentina	ARS	94.99055	94.99055
Transporte Aéreo S.A.	Chile	US\$	99.89804	99.89804
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US\$	100.00000	71.94990
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	99.01646	99.01646
TAM S.A.	Brazil	BRL	99.99938	99.99938

The consolidated subsidiaries do not have significant restrictions for transferring funds to controller.

Summary financial information of significant subsidiaries

<u>Name of significant subsidiary</u>	Statement of financial position as of December 31, 2014						Results for the period ended December 31, 2014	
	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Lan Perú S.A.	239,470	214,245	25,225	228,395	226,784	1,611	1,134,289	1,058
Lan Cargo S.A.	575,979	250,174	325,805	234,772	119,111	115,661	267,578	(9,966)
Lan Argentina S.A.	233,142	206,503	26,639	201,168	198,593	2,575	439,929	(17,864)
Transporte Aéreo S.A.	367,570	80,090	287,480	147,278	59,805	87,473	364,580	(8,983)
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	126,472	78,306	48,166	116,040	111,718	4,322	256,925	(20,193)
Aerovías de Integración Regional, AIRES S.A.	131,324	38,751	92,573	61,736	49,577	12,159	392,433	(81,033)
TAM S.A. (*)	6,817,698	1,921,316	4,896,382	5,809,529	2,279,110	3,530,419	6,628,432	171,655

<u>Name of significant subsidiary</u>	Statement of financial position as of December 31, 2013						Results for the period ended December 31, 2013	
	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Lan Perú S.A.	263,516	237,577	25,939	252,109	250,699	1,410	1,173,391	3,755
Lan Cargo S.A.	772,640	360,733	411,907	413,527	233,363	180,164	304,060	3,685
Lan Argentina S.A.	214,426	192,590	21,836	205,672	203,567	2,105	500,128	(13,311)
Transporte Aéreo S.A.	359,693	69,459	290,234	120,399	37,049	83,350	400,518	(4,129)
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	94,160	58,867	35,293	93,535	89,802	3,733	299,138	(40,295)
Aerovías de Integración Regional, AIRES S.A.	188,518	69,591	118,927	36,009	24,936	11,073	335,854	(63,359)
TAM S.A. (*)	8,695,458	2,372,047	6,323,411	7,983,671	3,249,581	4,734,090	6,791,104	(458,475)

(*) Corresponds to consolidated information of TAM S.A. and Subsidiaries.

(b) Non-controlling interest

Equity	Tax No.	Country of origin	As of	As of	As of	As of
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
			%	%	ThUS\$	ThUS\$
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	3,323	3,423
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10605	0.10605	925	591
Inversiones Lan S.A. and Subsidiaries	96.575.810-0	Chile	0.29000	0.29000	5	19
Promotora Aérea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	1,730	1,315
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	0-E	Ecuador	0.00000	28.05000	-	(14,688)
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	4.22000	4.22000	195	966
Lan Argentina S.A.	0-E	Argentina	1.00000	1.00000	217	221
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	5	1
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	6	8
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(826)	660
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.98307	0.98307	684	370
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	825	1,695
Multiplus S.A.	0-E	Brazil	27.26000	27.15000	94,710	93,057
Total					<u>101,799</u>	<u>87,638</u>

Incomes	Tax No.	Country of origin	As of	As of	For the period ended	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
			%	%	ThUS\$	ThUS\$
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	317	1,127
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10605	0.10605	(109)	111
Inversiones Lan S.A. and Subsidiaries	96.575.810-0	Chile	0.29000	0.29000	(14)	1
Promotora Aerea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	396	(511)
Aerolinhas Brasileiras S.A. and Subsidiaries	0-E	Brasil	0.00000	26.70000	-	(1,520)
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	0-E	Ecuador	0.00000	28.05000	(5,671)	(11,303)
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	4.22000	4.22000	269	188
Lan Argentina S.A.	0-E	Argentina	1.00000	1.00000	58	47
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	4	1
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	6	-
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(495)	(145)
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.98307	1.02665	(797)	(645)
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	(389)	671
Multiplus S.A.	0-E	Brazil	27.26000	27.13000	39,254	29,273
Total					<u>32,829</u>	<u>17,295</u>

NOTE 14 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

	Classes of intangible assets (net)		Classes of intangible assets (gross)	
	As of December 31, 2014	As of December 31, 2013	As of December 31, 2014	As of December 31, 2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Computer software	126,797	143,124	309,846	278,721
Developing software	74,050	46,075	74,050	46,075
Airport slots	1,201,028	1,361,807	1,201,028	1,361,807
Loyalty program	400,317	453,907	400,317	453,907
Trademarks	77,887	88,314	77,887	88,314
Other assets	-	81	808	808
Total	<u>1,880,079</u>	<u>2,093,308</u>	<u>2,063,936</u>	<u>2,229,632</u>

Movement in Intangible assets other than goodwill:

	Computer software Net	Developing software	Airport slots (*)	Trademarks and loyalty program (*)	Other assets Net	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	144,244	54,635	1,561,130	621,584	806	2,382,399
Additions	14,703	47,199	-	-	-	61,902
Withdrawals	(467)	(1,975)	-	-	-	(2,442)
Transfer software	46,444	(48,890)	-	-	(492)	(2,938)
Foreing exchange	(5,542)	(4,894)	(199,323)	(79,363)	(72)	(289,194)
Amortization	(56,258)	-	-	-	(161)	(56,419)
Closing balance as of December 31, 2013	<u>143,124</u>	<u>46,075</u>	<u>1,361,807</u>	<u>542,221</u>	<u>81</u>	<u>2,093,308</u>
Opening balance as of January 1, 2014	143,124	46,075	1,361,807	542,221	81	2,093,308
Additions	16,902	60,994	-	-	-	77,896
Withdrawals	(1,365)	(3,576)	-	-	-	(4,941)
Transfer software	22,351	(24,539)	-	-	-	(2,188)
Foreing exchange	(6,763)	(4,904)	(160,779)	(64,017)	-	(236,463)
Amortization	(47,452)	-	-	-	(81)	(47,533)
Closing balance as of December 31, 2014	<u>126,797</u>	<u>74,050</u>	<u>1,201,028</u>	<u>478,204</u>	<u>-</u>	<u>1,880,079</u>

The amortization of the period is shown in the consolidated statement of income in administrative expenses. The accumulated amortization of computer programs as of December 31, 2014 amounts to ThUS\$ 183,049 (ThUS\$ 135,597 as of December 31, 2013). The accumulated amortization of other identifiable intangible assets as of December 31, 2014 amounts to ThUS\$ 808 (ThUS\$ 727 as of December 31, 2013).

(*) See Note 2.5

NOTE 15 – GOODWILL

The Goodwill amount at December 31, 2014 is ThUS\$ 3,313,401 (ThUS\$ 3,727,605 at December 31, 2013).

The Company has two cash- generating units (CGUs), confirming the existence of two cash-generating units: “Air transportation” and, “Coalition and loyalty program Multiplus”; consistent with this, at December 31, 2014 was performed impairment tests based on value in use and no impairment was identified. These tests are done at least once per year.

At December 31, 2014, the recoverable amounts of cash generating units have been determined from estimated cash flows by the Administration. The main assumptions used are disclosed as follows:

		Air transportation CGU	Coalition and loyalty program Multiplus CGU (2)
Annual growth rate (Terminal)	%	1.5 and 2.5	4.7 and 5.7
Exchange rate (1)	R\$/US\$	2.7 and 3.62	2.7 and 3.62
Discount rate based on the weighted average cost of capital (WACC)	%	9.8 and 10.8	-
Discount rate based on cost of equity (CoE)	%	-	18.0 and 24.0
Fuel Price from futures price curves commodities markets	US\$/barril	90	-

(1) In line with the expectations of the Central Bank of Brazil

(2) The flows, as in the growth rate and discount, are denominated in real.

Given the expectation of growth and the long investment cycles characteristic of the industry, are used projections of ten years.

The result of the impairment test, which includes a sensitivity analysis of the main variables, showed that the estimated recoverable amount is higher than carrying value of the book value of net assets allocated to the cash generating unit, and therefore impairment was not detected.

The sensitivity analysis included individual impact of variations in the key assumptions with impact on the determination of the recoverable amounts, namely:

	Increase Maximum WACC	Increase Maximum CoE	Decrease Minimum terminal growth rate
Air transportation CGU	%	%	%
	10.8	-	1.5
Coalition and loyalty program Multiplus CGU	-	24.0	4.7

In none of the previous cases was presented impairment in the cash- generating unit.

Movement of Goodwill, separated by CGU:

	Air Transport	Coalition and loyalty program Multiplus	Total
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	3,361,906	851,254	4,213,160
Increase (decrease) due to exchange rate differences	(421,729)	(108,686)	(530,415)
Others	44,860	-	44,860
Closing balance as of December 31, 2013	<u>2,985,037</u>	<u>742,568</u>	<u>3,727,605</u>
Opening balance as of January 1, 2014	2,985,037	742,568	3,727,605
Increase (decrease) due to exchange rate differences	(360,371)	(87,670)	(448,041)
Others	33,837	-	33,837
Closing balance as of December 31, 2014	<u>2,658,503</u>	<u>654,898</u>	<u>3,313,401</u>

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT

The composition by category of Property, plant and equipment is as follows:

	Gross Book Value		Acumulated depreciation		Net Book Value	
	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
Construction in progress	937,279	858,650	-	-	937,279	858,650
Land	57,988	59,352	-	-	57,988	59,352
Buildings	249,361	247,263	(82,355)	(75,478)	167,006	171,785
Plant and equipment	8,660,352	8,461,456	(1,770,560)	(1,708,668)	6,889,792	6,752,788
Own aircraft	7,531,526	7,409,394	(1,407,704)	(1,347,671)	6,123,822	6,061,723
Other	1,128,826	1,052,062	(362,856)	(360,997)	765,970	691,065
Machinery	65,832	73,561	(42,099)	(41,509)	23,733	32,052
Information technology equipment	188,208	182,108	(137,199)	(135,889)	51,009	46,219
Fixed installations and accessories	97,090	97,212	(53,307)	(46,620)	43,783	50,592
Motor vehicles	95,981	75,150	(53,452)	(51,128)	42,529	24,022
Leasehold improvements	144,230	88,641	(87,707)	(71,872)	56,523	16,769
Other property, plants and equipment	4,522,589	4,791,236	(2,019,155)	(1,820,679)	2,503,434	2,970,557
Financial leasing aircraft	4,365,247	4,618,127	(1,985,458)	(1,777,980)	2,379,789	2,840,147
Other	157,342	173,109	(33,697)	(42,699)	123,645	130,410
Total	15,018,910	14,934,629	(4,245,834)	(3,951,843)	10,773,076	10,982,786

(a) The movement in the different categories of Property, plant and equipment from January 1, 2013 to December 31, 2014 is shown below:

	Construction in progress	Land	Buildings net	Plant and equipment net	Information technology equipment net	Fixed installations & accessories net	Motor vehicles net	Leasehold improvements net	Other property, plant and equipment net	Property, Plant and equipment net
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	1,153,003	65,307	175,070	6,360,115	40,463	42,343	4,722	21,728	3,944,325	11,807,076
Additions	17,731	-	11,798	1,555,667	22,146	7,663	303	-	69,703	1,685,011
Disposals	-	-	-	(141,328)	(31)	-	(161)	-	(644,637)	(786,157)
Retirements	(615)	-	(430)	(65,151)	(270)	(15)	(10)	(219)	(19,716)	(86,426)
Depreciation expenses	-	-	(11,768)	(446,503)	(14,131)	(8,893)	(312)	(12,281)	(336,586)	(830,474)
Foreing exchange	(53,452)	(5,955)	(12,414)	(71,013)	(3,375)	(1,527)	(286)	(1)	(320,738)	(468,761)
Other increases (decreases)	(258,017)	-	9,529	(384,669)	1,417	11,021	(2,512)	7,542	278,206	(337,483)
Changes, total	(294,353)	(5,955)	(3,285)	447,003	5,756	8,249	(2,978)	(4,959)	(973,768)	(824,290)
Closing balance as of December 31, 2013	858,650	59,352	171,785	6,807,118	46,219	50,592	1,744	16,769	2,970,557	10,982,786
Opening balance as of January 1, 2014	858,650	59,352	171,785	6,807,118	46,219	50,592	1,744	16,769	2,970,557	10,982,786
Additions	29,980	3,440	16,636	1,214,282	22,239	2,190	1,586	-	154,049	1,444,402
Disposals	-	-	-	(660,129) (*)	(57)	-	(4)	-	(328)	(660,518)
Retirements	(705)	-	(403)	(39,463)	(205)	(230)	(53)	(50)	(34,282)	(75,391)
Depreciation expenses	-	-	(13,980)	(431,967)	(16,889)	(8,899)	(1,041)	(19,127)	(286,033)	(777,936)
Foreing exchange	733	(4,804)	(12,341)	(59,957)	(3,595)	(1,509)	330	-	(110,727)	(191,870)
Other increases (decreases)	48,621	-	5,309	124,205	3,297	1,639	(597)	58,931	(189,802)	51,603
Changes, total	78,629	(1,364)	(4,779)	146,971	4,790	(6,809)	221	39,754	(467,123)	(209,710)
Closing balance as of December 31, 2014	937,279	57,988	167,006	6,954,089	51,009	43,783	1,965	56,523	2,503,434	10,773,076

(*) During the first half of 2014 four Boeing 777-300ER aircraft were sold and subsequently leased.

(b) Composition of the fleet:

Aircraft	Model	Aircraft included in the Company's Property, plant and equipment		Operating leases		Total fleet	
		As of December 31, 2014	As of December 31, 2013	As of December 31, 2014	As of December 31, 2013	As of December 31, 2014	As of December 31, 2013
Boeing 767	300	-	3	-	-	-	3
Boeing 767	300ER	34	34	4	6	38	40
Boeing 767	300F	8 (1)	8	3	4	11 (1)	12
Boeing 777	300ER	4	8	6	2	10	10
Boeing 777	Freighter	2	2	2	2	4	4
Boeing 787	800	6	3	4	2	10	5
Airbus A319	100	40	39	12	15	52	54
Airbus A320	200	95	95	63	65	158	160
Airbus A321	200	18	9	3	1	21	10
Airbus A330	200	8	8	5	12	13	20
Airbus A340	300	3	-	-	4	3	4
Airbus A340	500	-	2	-	-	-	2
Boeing 737	700	-	-	-	5	-	5
Bombardier	Dhc8-200	2	-	5	7	7	7
Bombardier	Dhc8-400	-	-	-	3	-	3
Total		220	211	107	128	327	339

(1) Two aircraft leased to FEDEX

(c) Method used for the depreciation of Property, plant and equipment:

	Method	Useful life	
		minimum	maximum
Buildings	Straight line without residual value	20	50
Plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	5	20
Information technology equipment	Straight line without residual value	5	10
Fixed installations and accessories	Straight line without residual value	10	10
Motor vehicle	Straight line without residual value	10	10
Leasehold improvements	Straight line without residual value	5	5
Other property, plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	3	20

(*) Except for certain technical components, which are depreciated on the basis of cycles and flight hours.

The aircraft with remarketing clause (***) under modality of financial leasing, which are depreciated according to the duration of their contracts, between 12 and 18 years. Its residual values are estimated according to market value at the end of such contracts.

(***) Aircraft with remarketing clause are those that are required to sell at the end of the contract. The depreciation charged to income in the period, which is included in the consolidated statement of income, amounts to ThUS\$ 777,936 (ThUS\$ 830,474 at December 31, 2013). Depreciation charges for the year are recognized in Cost of sales and administrative expenses in the consolidated statement of income.

(d) Additional information regarding Property, plant and equipment:

(i) Property, plant and equipment pledged as guarantee:

In the period ended December 31, 2014, were added direct guarantees by nine Airbus A321-200 aircraft and three Boeing 787-800 aircraft. Additionally, as a result of fleet transfer plan from TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the Company added direct guarantees associated with three Airbus A319-100 aircraft, twenty one Airbus A320-200 aircraft and seven Airbus A321-200 aircraft.

Moreover, the Company sold its interest in the permanent establishments Flamenco Leasing LLC, Cisne Leasing LLC, Becacina Leasing LLC, Tricahue Leasing LLC and Loica Leasing Limited. Products of the above direct guarantees associated with seven Boeing 767-300, two Airbus A319-100 and two Airbus A320-200 aircraft were removed.

Additionally, as a result of sale, direct guarantees associated with four Boeing 777-300 aircraft were removed.

Description of Property, plant and equipment pledged as guarantee:

Creditor of guarantee	Assets committed	Fleet	As of December 31, 2014		As of December 31, 2013	
			Existing Debt	Book Value	Existing Debt	Book Value
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Wilmington Trust Company	Aircraft and engines	Boeing 767 Boeing 777 / 787	1,001,311 452,622	1,277,357 518,788	1,437,810 777,796	1,827,349 880,470
Banco Santander S.A.	Aircraft and engines	Airbus A319 Airbus A320 Airbus A321	66,318 585,008 39,739	100,485 788,706 45,161	74,042 643,945 43,071	105,353 829,185 49,208
BNP Paribas	Aircraft and engines	Airbus A319 Airbus A320	174,714 162,304	238,103 207,881	209,993 199,114	281,846 257,857
Credit Agricole	Aircraft and engines	Airbus A319 Airbus A320 Airbus A321	55,797 157,514 60,288	121,038 219,460 63,939	32,251 96,774 -	99,241 153,531 -
JP Morgan	Aircraft and engines	Boeing 777	237,463	278,169	259,272	292,486
Wells Fargo	Aircraft and engines	Airbus A320	305,949	360,064	331,854	384,273
Bank of Utah	Aircraft and engines	Airbus A320	259,260	327,094	277,622	347,765
DVB Bank SE	Aircraft and engines	Boeing 767	-	-	95,292	151,824
Natixis	Aircraft and engines	Airbus A320 Airbus A321	48,814 405,416	55,946 488,198	- -	- -
Citibank N. A.	Aircraft and engines	Airbus A320 Airbus A321	142,591 55,836	146,535 59,452	- -	- -
HSBC	Aircraft and engines	Airbus A320	59,005	59,342	-	-
KfW IPEX-Bank	Aircraft and engines	Airbus A320	16,088	17,516	-	-
PK AirFinance US, Inc.	Aircraft and engines	Airbus A320	69,721	70,102	-	-
Total direct guarantee			<u>4,355,758</u>	<u>5,443,336</u>	<u>4,478,836</u>	<u>5,660,388</u>

The amounts of existing debt are presented at nominal value. Book value corresponds to the carrying value of the goods provided as guarantees.

Additionally, there are indirect guarantees related to assets recorded in Property, plant and equipment whose total debt at December 31, 2014 amounted to ThUS\$ 1,626,257 (ThUS\$ 2,167,470 at December 31, 2013). The book value of assets with indirect guarantees as of December 31, 2014 amounts to ThUS\$ 2,335,135 (ThUS\$ 2,767,593 as of December 31, 2013).

(ii) Commitments and others

Fully depreciated assets and commitments for future purchases are as follows:

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Gross book value of fully depreciated property, plant and equipment still in use	138,960	160,116
Commitments for the acquisition of aircraft (*)	21,500,000	23,900,000

(*) According to the manufacturer's price list.

Purchase commitment of aircraft

Manufacturer	Year of delivery							Total
	2015	2016	2017	2018	2019	2020	2021	
Airbus S.A.S.	16	23	26	31	11	12	5	124
A320-NEO	-	2	18	16	8	8	-	52
A321	15	15	-	-	-	-	-	30
A321-NEO	-	-	-	6	-	4	5	15
A350	1	6	8	9	3	-	-	27
The Boeing Company	3	5	6	4	-	-	-	18
B777	-	-	2	-	-	-	-	2
B787-8	-	-	4	4	-	-	-	8
B787-9	3	5	-	-	-	-	-	8
Total	<u>19</u>	<u>28</u>	<u>32</u>	<u>35</u>	<u>11</u>	<u>12</u>	<u>5</u>	<u>142</u>

In July 2014 the cancellation of 4 Airbus A320 was signed and changing 12 Airbus A320 aircraft for 12 Airbus A320 NEO aircraft. In December 2014 a contract was signed changing 4 Airbus A320 aircraft for 4 Airbus A320 NEO aircraft and changing 4 Airbus A321 aircraft for 4 Airbus A321 NEO aircraft.

At December 31, 2014, as a result of the different aircraft purchase agreements signed with Airbus S.A.S., remain to receive 97 aircraft Airbus A320 family, with deliveries between 2015 and 2021, and 27 Airbus aircraft A350 family with delivery dates starting from 2015.

The approximate amount is ThUS\$ 17,600,000, according to the manufacturer's price list. Additionally, the Company has valid purchase options for 5 Airbus A350 aircraft.

As of December 31, 2014, and as a result of different aircraft purchase contracts signed with The Boeing Company, remain to receive a total of sixteen 787 Dreamliner aircraft, with delivery dates between 2015 and 2018, and two 777 with delivery expected for 2017.

The approximate amount, according to the manufacturer's price list, is ThUS\$ 3,900,000. Additionally, the Company has valid purchase options for 2 Boeing 777 aircraft.

(iii) Capitalized interest costs with respect to Property, plant and equipment.

		For the periods ended	
		December 31,	
		<u>2014</u>	<u>2013</u>
Average rate of capitalization of			
capitalized interest costs	%	2.84	3.63
Costs of capitalized interest	ThUS\$	18,426	25,625

(iv) Financial leases

The detail of the main financial leases is as follows:

<u>Lessor</u>	<u>Aircraft</u>	<u>Model</u>	As of	As of
			December 31,	December 31,
			<u>2014</u>	<u>2013</u>
Agonandra Statutory Trust	Airbus A319	100	4	4
Agonandra Statutory Trust	Airbus A320	200	2	2
Air Canada	Airbus A340	500	-	2
AWMS I (AWAS)	Boeing 767	300	-	3
Becacina Leasing LLC	Boeing 767	300ER	1	-
Caiquen Leasing LLC	Boeing 767	300F	1	1
Cernicalo Leasing LLC	Boeing 767	300F	2	2
Chirihue Leasing Trust	Boeing 767	300F	2	2
Cisne Leasing LLC	Boeing 767	300ER	2	-
Codorniz Leasing Limited	Airbus A319	100	2	2
Conure Leasing Limited	Airbus A320	200	2	2
Flamenco Leasing LLC	Boeing 767	300ER	1	-
FLYAFI 1 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 2 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 3 S.R.L.	Boeing 777	300ER	1	1
Forderum Holding B.V. (GECAS)	Airbus A320	200	2	2
Garza Leasing LLC	Boeing 767	300ER	1	1
General Electric Capital Corporation	Airbus A330	200	3	3
Intraelo BETA Corpotation (KFW)	Airbus A320	200	1	1
Juliana Leasing Limited	Airbus A320	200	2	2
Linnet Leasing Limited	Airbus A320	200	4	4
Loica Leasing Limited	Airbus A319	100	2	-
Loica Leasing Limited	Airbus A320	200	2	-
Mirlo Leasing LLC	Boeing 767	300ER	1	1

<u>Lessor</u>	<u>Aircraft</u>	<u>Model</u>	As of December 31, <u>2014</u>	As of December 31, <u>2013</u>
NBB Rio de Janeiro Lease CO and Brasilia Lease LLC (BBAM)	Airbus A320	200	1	1
NBB São Paulo Lease CO. Limited (BBAM)	Airbus A321	200	1	1
Osprey Leasing Limited	Airbus A319	100	8	8
Petrel Leasing LLC	Boeing 767	300ER	1	1
Pochard Leasing LLC	Boeing 767	300ER	2	2
Quetro Leasing LLC	Boeing 767	300ER	3	3
SG Infrastructure Italia S.R.L.	Boeing 777	300ER	1	1
SL Alcyone LTD (Showa)	Airbus A320	200	1	1
TMF Interlease Aviation B.V.	Airbus A320	200	1	12
TMF Interlease Aviation B.V.	Airbus A330	200	1	1
TMF Interlease Aviation II B.V.	Airbus A319	100	5	5
TMF Interlease Aviation II B.V.	Airbus A320	200	2	2
TMF Interlease Aviation III B.V.	Airbus A319	100	-	3
TMF Interlease Aviation III B.V.	Airbus A320	200	-	12
TMF Interlease Aviation III B.V.	Airbus A321	200	-	7
Tricahue Leasing LLC	Boeing 767	300ER	3	-
Wacapou Leasing S.A	Airbus A320	200	1	1
Wells Fargo Bank North National Association (ILFC)	Airbus A330	200	-	1
Total			<u>71</u>	<u>99</u>

Financial leasing contracts where the Company acts as the lessee of aircrafts establish duration between 12 and 18 year terms and semi-annual, quarterly and monthly payments of obligations.

Additionally, the lessee will have the obligation to contract and maintain active the insurance coverage for the aircraft, perform maintenance on the aircraft and update the airworthiness certificates at their own cost.

Fixed assets acquired under financial leases are classified as Other property, plant and equipment. As of December 31, 2014 the Company had seventy one aircraft (ninety nine aircraft as of December 31, 2013).

During the period ended December 2014, due to the sale of its participation in the permanent establishments Flamenco Leasing LLC, Cisne Leasing LLC, Becacina Leasing LLC, Tricahue Leasing LLC and Loica Leasing Limited, the Company increased its number of aircraft on lease by seven Boeing 767-300, two Airbus A319-100 and two Airbus A320-200 aircraft. Therefore, these aircraft were reclassified from the Plant and equipment category to the category Other property plant and equipment.

During the third quarter of 2014 the option was exercised to purchase one A330-200 and during the fourth quarter of 2014 the option were exercised to purchase two A320-200 aircraft. Therefore, this aircraft was reclassified from the Other property plant and equipment category to the category Plant and equipment.

For other hand, as a result of fleet transfer plan from TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the Company decreases its number of aircraft on lease by three Airbus A319-100 aircraft, twenty one Airbus A320-200 and seven Airbus A321-200 aircraft as a

result of modifications in its financial contracts. Therefore, these aircraft were reclassified from the Other property plant and equipment category to the category Plant and equipment.

Additionally, as a result of the leasing contracts had ended; the Company decreases its number of aircraft on lease by three Boeing 767-300 aircraft and two Airbus A340-500 aircraft. These aircraft were on operative leasing agreement, but according to the stated policy were classified as financial leasing.

The book value of assets under financial leases as of December 31, 2014 amounts to ThUS\$ 2,379,789 (ThUS\$ 2,840,147 as of December 31, 2013).

The minimum payments under financial leases are as follows:

	As of December 31, 2014			As of December 31, 2013		
	Gross		Present	Gross		Present
	Value	Interest	Value	Value	Interest	Value
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
No later than one year	403,840	(48,197)	355,643	462,157	(53,925)	408,232
Between one and five years	1,121,190	(97,909)	1,023,281	1,406,384	(118,702)	1,287,682
Over five years	261,877	(6,409)	255,468	633,120	(19,562)	613,558
Total	1,786,907	(152,515)	1,634,392	2,501,661	(192,189)	2,309,472

NOTE 17 - CURRENT AND DEFERRED TAXES

In the period ended December 31, 2014, the income tax provision was calculated at the rate of 21% for the business year 2014, in accordance with the recently enacted Law No. 20,780 published in the Official Journal of the Republic of Chile on September 29, 2014.

Among the main changes is the progressive increase of the First Category Tax which will reach 27% in 2018 if the "Partially Integrated Taxation System"(*) is chosen. Alternatively, if the Company chooses the "Attributed Income Taxation System"(*) the top rate would reach 25% in 2017.

As LATAM Airlines Group S.A. is a public company, by default it must choose the "Partially Integrated Taxation System", unless a future Extraordinary Meeting of Shareholders of the Company agrees, by a minimum of 2/3 of the votes, to choose the "Attributed Income Taxation System". This decision must be taken at the latest in the last quarter of 2016.

The effects of the updating of deferred tax assets and liabilities according to rates changes introduced by Law No. 20,780 depending on their period back have been recorded in equity in accordance with the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014. The total effect in equity was ThUS \$ 150,210, which is explained by an increase in deferred tax assets of ThUS\$ 87 and an increase in deferred tax liabilities of ThUS\$ 145,253 and an increase in equity by deferred tax of ThUS\$ 5,044. The net effect on the assets and liabilities by deferred tax is an increase on liabilities for ThUS\$ 145,166.

Deferred tax assets and liabilities are offset if there is a legal right to offset assets and liabilities for income taxes relating to the same entity and tax authority.

(*) The Partially Integrated Taxation System is one of the tax regimes approved through the Tax Reform previously mentioned, which is based on the taxation by the perception of profits and the Attributed Income Taxation System is based on the taxation by the accrual of profits.

(a) Current taxes

(a.1) The composition of the current tax assets is the following:

	Current assets		Non-current assets		Total assets	
	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
Provisional monthly payments (advances)	68,752	61,570	-	-	68,752	61,570
Other recoverable credits	31,956	20,320	17,663	-	49,619	20,320
Total current tax assets	100,708	81,890	17,663	-	118,371	81,890

(a.2) The composition of the current tax liabilities are as follows:

	Current liabilities		Non-current liabilities		Total liabilities	
	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
Income tax provision	16,712	9,919	-	-	16,712	9,919
Additional tax provision	1,177	1,664	-	-	1,177	1,664
Total current tax liabilities	17,889	11,583	-	-	17,889	11,583

(b) Deferred taxes

The balances of deferred tax are the following:

Concept	Assets		Liabilities	
	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
Depreciation	(23,675)	(17,152)	847,965	557,845
Leased assets	(102,457)	(147,074)	83,318	46,688
Amortization	(31,750)	(10,778)	128,350	113,579
Provisions	416,153	317,883	65,076	(207,358)
Revaluation of financial instruments	270	562	(12,536)	(15,508)
Tax losses	151,569	267,189	(571,180)	(284,339)
Revaluation property, plant and equipment	-	-	(5,999)	(18,544)
Intangibles	-	-	523,275	593,325
Others	(2,787)	(7,668)	(6,375)	(18,460)
Total	407,323	402,962	1,051,894	767,228

The balance of deferred tax assets and liabilities are composed principally of temporary differences to reverse in the long term.

Movements of Deferred tax assets and liabilities:

(a) From January 1 to December 31, 2013

	Opening balance	Recognized in consolidated	Recognized in comprehensive	Exchange rate	Others	Ending balance
	Assets/(liabilities)	income	income	variation		Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(454,845)	(124,584)	-	4,432	-	(574,997)
Leased assets	(268,619)	70,807	-	4,050	-	(193,762)
Amortization	(76,763)	(49,985)	-	2,391	-	(124,357)
Provisions	555,423	35,636	-	(65,818)	-	525,241
Revaluation of financial instruments	36,919	146	(19,345)	(1,650)	-	16,070
Tax losses	420,578	148,266	-	(17,316)	-	551,528
Revaluation property, plant and equipment	22,892	3,290	-	(7,638)	-	18,544
Intangibles	(680,167)	-	-	86,842	-	(593,325)
Others	28,310	9,543	-	(28,070)	1,009	10,792
Total	(416,272)	93,119	(19,345)	(22,777)	1,009	(364,266)

(b) From January 1 to December 31, 2014

	Opening balance	Recognized in consolidated	Recognized in comprehensive	Exchange rate	Effect from change in	Others	Ending balance
	Assets/(liabilities)	income	income	variation	tax rate		Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(574,997)	(74,623)	-	3,575	(225,595)	-	(871,640)
Leased assets	(193,762)	47,749	-	3,267	(43,029)	-	(185,775)
Amortization	(124,357)	(21,621)	-	1,928	(16,050)	-	(160,100)
Provisions	525,241	(99,262)	-	(53,090)	(21,812)	-	351,077
Revaluation of financial instruments	16,070	(53,675)	47,979	(1,331)	3,763	-	12,806
Tax losses (*)	551,528	147,798	-	(13,968)	163,596	(126,205)	722,749
Revaluation property, plant and equipment	18,544	(6,384)	-	(6,161)	-	-	5,999
Intangibles	(593,325)	-	-	70,050	-	-	(523,275)
Others	10,792	13,455	-	(26,200)	(6,039)	11,580	3,588
Total	(364,266)	(46,563)	47,979	(21,930)	(145,166)	(114,625)	(644,571)

(*) In relation to the Tax Recovery Program (REFIS), established in Law No. 11,941/09, the Provisional Measure No. 651/2014 approved by the Brazilian National Congress and signed into Law No. 13,043/14, in its Section VIII, Article 33, establishes that taxpayers that have tax debts can anticipate paying their tax debt by using tax credits related to tax loss carryforwards up to an amount of 70% of the total debt if they pay the other 30% in cash. The Company adhered to the program and paid its debt through this mechanism.

Therefore, the company TAM Linhas Aéreas S.A. decreased its liability associated with the REFIS program using its deferred tax assets related to its tax loss of ThUS \$ 126,205 at December 31, 2014, generating no effect on the outcome of tax.

Deferred tax assets not recognized:	As of	As of
	December 31,	December 31,
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Tax losses	<u>2,781</u>	<u>6,538</u>
Total Deferred tax assets not recognized	<u><u>2,781</u></u>	<u><u>6,538</u></u>

Deferred tax assets on tax loss carry-forwards, are recognized to the extent that it is likely to provide relevant tax benefit through future taxable profits. The Company has not recognized deferred tax assets of ThUS\$ 2,781 (ThUS\$ 6,538 at December 31, 2013) compared to a loss of ThUS\$ 11,620 (ThUS\$ 28,855 at December 31, 2013) to offset against future years tax benefits.

Deferred tax expense and current income taxes:

	For the periods ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Current tax expense		
Current tax expense	97,782	73,611
Adjustment to previous period's current tax	(2,151)	(561)
Total current tax expense, net	<u><u>95,631</u></u>	<u><u>73,050</u></u>
Deferred tax expense		
Deferred expense for taxes related to the creation and reversal of temporary differences	46,466	(92,863)
Reduction (increase) in value of deferred tax assets during the evaluation of its usefulness	<u>97</u>	<u>(256)</u>
Total deferred tax expense, net	<u><u>46,563</u></u>	<u><u>(93,119)</u></u>
Income tax expense	<u><u>142,194</u></u>	<u><u>(20,069)</u></u>

Composition of income tax expense (income):

	For the periods ended	
	December 31,	
	2014	2013
	ThUS\$	ThUS\$
Current tax expense, net, foreign	92,272	61,118
Current tax expense, net, Chile	3,359	11,932
Total current tax expense, net	<u>95,631</u>	<u>73,050</u>
Deferred tax expense, net, foreign	168,049	(112,047)
Deferred tax expense, net, Chile	(121,486)	18,928
Deferred tax expense, net, total	<u>46,563</u>	<u>(93,119)</u>
Income tax expense	<u>142,194</u>	<u>(20,069)</u>

Profit before tax by the legal tax rate in Chile (21%)

	For the periods ended			
	December 31,		December 31,	
	2014	2013	2014	2013
	ThUS\$	ThUS\$	%	%
Tax expense using the legal rate	<u>6,805 (*)</u>	<u>(61,035)</u>	<u>21.00 (*)</u>	<u>20.00</u>
Tax effect of rates in other jurisdictions	112,563	(34,287)	347.37	11.24
Tax effect of non-taxable operating revenues	(60,960)	(24,004)	(188.12)	7.87
Tax effect of disallowable expenses	88,643	98,211	273.55	(32.18)
Other increases (decreases) in legal tax charge	<u>(4,857)</u>	<u>1,046</u>	<u>(14.99)</u>	<u>(0.34)</u>
Total adjustments to tax expense using the legal rate	<u>135,389</u>	<u>40,966</u>	<u>417.81</u>	<u>(13.41)</u>
Tax expense using the effective rate	<u>142,194</u>	<u>(20,069)</u>	<u>438.81</u>	<u>6.59</u>

(*) On September 29, 2014, Law No. 20,780 "Amendment to the system of income taxation and introduces various adjustments in the tax system." was published in the Official Journal of the Republic of Chile. Within major tax reforms that law contains is modified gradually from 2014 to 2018 the First- Category Tax rate to be declared and paid starting in tax year 2015.

Thus, at December 31, 2014, the Company filed tax expense reconciliation and legal tax rate considering the rate increase. According to the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014, the Company recognized a loss on their retained earnings ThUS\$ 150,210 as a result of the rate increase.

Deferred taxes related to items charged to net equity:

	For the period ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Aggregate deferred taxation of components of other comprehensive income	40,227	(19,345)
Tax effect by change legal tax rate in other comprehensive income (*)	7,752	-
Aggregate deferred taxation related to items charged to net equity	(3,389)	(3,440)
Tax effect by change legal tax rate in net equity (*)	(2,708)	-
Total deferred taxes related to items charged to net equity	<u>41,882</u>	<u>(22,785)</u>

(*) Correspond to the tax by tax rate increases Law No. 20,780, tax reform, published in the Official Journal of the Republic of Chile on September 29, 2014.

NOTE 18 - OTHER FINANCIAL LIABILITIES

The composition of Other financial liabilities is as follows:

	As of	As of
	December 31,	December 31,
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Current		
(a) Interest bearing loans	1,397,382	1,969,281
(b) Derivatives not recognized as a hedge	1,190	4,040
(c) Hedge derivatives	<u>226,043</u>	<u>66,466</u>
Total current	<u>1,624,615</u>	<u>2,039,787</u>
Non-current		
(a) Interest bearing loans	7,360,685	7,803,588
(b) Derivatives not recognized as a hedge	-	1,491
(c) Hedge derivatives	<u>28,327</u>	<u>54,906</u>
Total non-current	<u>7,389,012</u>	<u>7,859,985</u>

(a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Current		
Loans to exporters	327,278	401,263
Bank loans	98,711	602,618
Guaranteed obligations	472,864	455,512
Other guaranteed obligations	61,872	31,109
Subtotal bank loans	<u>960,725</u>	<u>1,490,502</u>
Obligation with the public	21,206	21,761
Financial leases	364,514	423,537
Other loans	50,937	33,481
Total current	<u>1,397,382</u>	<u>1,969,281</u>
Non-current		
Bank loans	415,667	322,207
Guaranteed obligations	3,765,518	3,776,910
Other guaranteed obligations	93,992	64,247
Subtotal bank loans	<u>4,275,177</u>	<u>4,163,364</u>
Obligation with the public	1,111,481	1,116,671
Financial leases	1,344,520	1,902,715
Other loans	629,507	620,838
Total non-current	<u>7,360,685</u>	<u>7,803,588</u>
Total obligations with financial institutions	<u><u>8,758,067</u></u>	<u><u>9,772,869</u></u>

All interest-bearing liabilities are recorded using the effective interest rate method. Under IFRS, the effective interest rate for loans with a fixed interest rate does not vary throughout the loan, while in the case of loans with variable interest rates, the effective rate changes on each date of reprising of the loan.

Currency balances that make the interest bearing loans:

<u>Currency</u>	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Argentine peso	39,053	43,335
Brazilian real	53,410	76,674
Chilean peso (U.F.)	187,614	267,554
Euro	547	2,029
US Dollar	8,477,443	9,383,277
Total	<u><u>8,758,067</u></u>	<u><u>9,772,869</u></u>

Interest-bearing loans due in installments to December 31, 2014

Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Loans to exporters																		
97.032.000-8	BBVA	Chile	US\$	100,000	-	-	-	-	100,000	100,058	-	-	-	-	100,058	At expiration	0.40	0.40
97.036.000-K	SANTANDER	Chile	US\$	45,000	-	-	-	-	45,000	45,040	-	-	-	-	45,040	At expiration	0.34	0.34
97.030.000-7	ESTADO	Chile	US\$	55,000	-	-	-	-	55,000	55,022	-	-	-	-	55,022	At expiration	0.52	0.52
97.006.000-6	BCI	Chile	US\$	100,000	-	-	-	-	100,000	100,140	-	-	-	-	100,140	At expiration	0.47	0.47
76.645.030-K	ITAU	Chile	US\$	15,000	-	-	-	-	15,000	15,018	-	-	-	-	15,018	At expiration	0.65	0.65
97.951.000-4	HSBC	Chile	US\$	12,000	-	-	-	-	12,000	12,000	-	-	-	-	12,000	At expiration	0.50	0.50
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	14,242	42,725	113,934	17,367	-	188,268	15,542	42,725	112,160	17,187	-	187,614	Quarterly	4.85	4.85
0-E	CITIBANK	Argentina	ARS	-	17,542	-	-	-	17,542	122	17,542	-	-	-	17,664	Monthly	31.00	31.00
0-E	BBVA	Argentina	ARS	-	21,050	-	-	-	21,050	339	21,050	-	-	-	21,389	Monthly	33.00	33.00
97.036.000-K	BBVA	Chile	US\$	-	-	282,967	-	-	282,967	928	-	282,967	-	-	283,895	Quarterly	2.33	2.33
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	US\$	17,225	52,658	105,594	62,209	35,883	273,569	17,745	52,658	105,594	62,209	35,883	274,089	Quarterly	1.68	1.43
0-E	BNP PARIBAS	U.S.A.	US\$	7,815	24,005	67,806	73,475	178,116	351,217	8,940	24,005	67,248	73,287	178,078	351,558	Quarterly	2.13	2.04
0-E	WELLS FARGO	U.S.A.	US\$	30,351	91,866	251,040	260,112	669,599	1,302,968	34,771	91,866	219,808	245,026	653,056	1,244,527	Quarterly	2.26	1.57
0-E	CITIBANK	U.S.A.	US\$	16,624	50,489	139,491	146,931	330,579	684,114	18,154	50,489	128,993	141,745	323,754	663,135	Quarterly	2.24	1.49
97.036.000-K	SANTANDER	Chile	US\$	5,127	15,545	42,646	44,472	72,551	180,341	5,418	15,545	40,183	43,413	71,879	176,438	Quarterly	1.32	0.78
0-E	BTMU	U.S.A.	US\$	2,649	8,042	22,221	23,393	51,340	107,645	2,838	8,042	20,557	22,621	50,668	104,726	Quarterly	1.64	1.04
0-E	APPLE BANK	U.S.A.	US\$	1,296	3,952	10,919	11,516	25,707	53,390	1,448	3,952	10,094	11,131	25,366	51,991	Quarterly	1.63	1.03
0-E	US BANK	U.S.A.	US\$	14,158	42,960	118,206	123,705	349,129	648,158	17,169	42,960	97,791	113,644	337,272	608,836	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	4,552	14,031	39,791	24,725	72,180	155,279	5,190	14,031	39,791	24,726	72,180	155,918	Quarterly	3.25	3.25
0-E	NATIXIS	France	US\$	9,739	29,807	84,884	87,304	242,496	454,230	10,278	29,807	84,884	87,304	242,496	454,769	Quarterly	1.86	1.81
0-E	HSBC	U.S.A.	US\$	1,340	4,082	11,249	11,820	30,514	59,005	1,474	4,082	11,249	11,820	30,514	59,139	Quarterly	2.29	1.48
0-E	PK AirFinance	U.S.A.	US\$	1,755	5,452	16,014	18,412	28,088	69,721	1,810	5,452	16,014	18,412	28,088	69,776	Quarterly	1.86	1.86
0-E	KFW IPEX-BANK	U.S.A.	US\$	611	1,885	5,568	4,334	3,690	16,088	613	1,885	5,568	4,334	3,690	16,090	Quarterly	2.10	2.10
-	SWAP Aircraft arrivals	-	US\$	595	1,647	3,333	1,658	157	7,390	595	1,647	3,333	1,658	157	7,390	Quarterly	-	-
Other guaranteed obligations																		
0-E	DVB BANK SE	U.S.A.	US\$	7,877	23,877	32,492	-	-	64,246	7,920	23,878	32,492	-	-	64,290	Quarterly	2.00	2.00
0-E	CREDIT AGRICOLE	U.S.A.	US\$	7,459	22,378	61,500	-	-	91,337	7,696	22,378	61,500	-	-	91,574	Quarterly	1.73	1.73
Financial leases																		
0-E	ING	U.S.A.	US\$	7,744	23,786	52,041	31,151	11,806	126,528	8,754	23,786	50,985	30,853	11,771	126,149	Quarterly	4.84	4.33
0-E	CREDIT AGRICOLE	France	US\$	1,581	4,877	13,955	-	-	20,413	1,628	4,877	13,955	-	-	20,460	Quarterly	1.20	1.20
0-E	CITIBANK	U.S.A.	US\$	4,409	13,657	39,402	44,177	13,804	115,449	5,384	13,657	38,125	43,767	13,762	114,695	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	US\$	14,549	44,742	125,130	63,957	3,827	252,205	16,216	44,742	122,596	63,620	3,819	250,993	Quarterly	5.35	4.76
0-E	BNP PARIBAS	U.S.A.	US\$	9,457	29,109	83,466	58,792	10,848	191,672	10,125	29,109	81,505	58,421	10,820	189,980	Quarterly	4.14	3.68
0-E	WELLS FARGO	U.S.A.	US\$	4,373	13,323	37,242	39,862	44,525	139,325	4,830	13,323	35,710	39,264	44,290	149,417	Quarterly	3.98	3.53
0-E	DVB BANK SE	U.S.A.	US\$	4,457	13,545	32,567	-	-	50,569	4,545	13,545	32,567	-	-	50,657	Quarterly	1.89	1.89
0-E	US BANK	U.S.A.	US\$	280	11,701	-	-	-	11,981	280	11,701	-	-	-	11,981	Monthly	-	-
0-E	BANC OF AMERICA	U.S.A.	US\$	643	2,049	2,770	-	-	5,462	664	2,049	2,770	-	-	5,483	Monthly	1.41	1.41
Other loans																		
0-E	BOEING	U.S.A.	US\$	-	-	179,507	-	-	179,507	3,580	-	179,507	-	-	183,087	At expiration	1.74	1.74
0-E	CITIBANK (*)	U.S.A.	US\$	-	-	164,108	184,866	101,026	450,000	1,500	-	164,108	184,866	101,026	451,500	Quarterly	6.00	6.00
Total				517,908	630,782	2,139,843	1,334,238	2,275,865	6,898,636	543,774	630,783	2,384,054	1,299,308	2,238,569	7,096,488			

(*) Securitized bond with the future flows from the sales with credit card in United States and Canada.

Interest-bearing loans due in installments to December 31, 2014
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Bank loans																		
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	108	335	971	1,094	1,288	3,796	127	336	971	1,094	1,288	3,816	Monthly	6.01	6.01
Obligation with the public																		
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	-	-	300,000	-	800,000	1,100,000	12,178	9,028	304,377	4,583	802,521	1,132,687	At Expiration	7.99	7.19
Financial leases																		
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	1,864	5,752	16,580	18,555	8,369	51,120	2,104	5,752	16,580	18,555	8,369	51,360	Monthly	1.25	1.25
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,189	9,836	27,070	15,262	7,664	63,021	3,303	9,836	27,070	15,262	7,664	63,135	Monthly	1.42	1.42
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	2,704	32,466	-	-	-	35,170	2,752	32,466	-	-	-	35,218	Quarterly	1.10	1.10
0-E	CREDIT AGRICOLE -CIB	France	US\$	1,500	4,500	4,500	-	-	10,500	1,566	4,500	4,500	-	-	10,566	Quarterly/Semiannual	3.25	3.25
0-E	DVB BANK SE	Germany	US\$	3,125	9,375	-	-	-	12,500	3,160	9,375	-	-	-	12,535	Quarterly	2.50	2.50
0-E	DVB BANK SE	U.S.A.	US\$	197	540	755	-	-	1,492	199	540	755	-	-	1,494	Monthly	1.68	1.68
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	2,296	10,791	23,761	-	-	36,848	2,346	10,791	23,761	-	-	36,898	Monthly	1.25	1.25
0-E	KFW IPEX-BANK	Germany	US\$	3,246	10,541	18,037	13,535	5,328	50,687	3,339	10,541	18,037	13,535	5,328	50,780	Monthly/Quarterly	1.72	1.72
0-E	NATIXIS	France	US\$	2,887	6,705	20,987	23,723	85,391	139,693	4,044	6,705	20,987	23,723	85,391	140,850	Quarterly/Semiannual	3.87	3.87
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	1,208	3,725	20,360	-	-	25,293	1,256	3,725	20,360	-	-	25,341	Monthly	1.75	1.75
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	416	1,198	2,847	2,406	13,115	19,982	456	1,198	2,847	2,406	13,115	20,022	Quarterly	2.00	2.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	7,761	23,859	67,973	74,783	169,730	344,106	8,574	23,859	67,973	74,783	169,730	344,919	Quarterly	3.06	3.58
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	-	-	-	-	-	-	8	-	-	-	-	8	Monthly	11.70	11.70
0-E	BANCO IBM S.A	Brazil	BRL	319	957	2,514	27	-	3,817	91	957	2,604	27	-	3,679	Monthly	10.58	10.58
0-E	HP FINANCIAL SERVICE	Brazil	BRL	225	707	1,297	-	-	2,229	143	707	1,379	-	-	2,229	Monthly	9.90	9.90
0-E	SOCIETE AIR FRANCE	France	EUR	114	-	-	-	-	114	547	-	-	-	-	547	Monthly	6.82	6.82
0-E	SOCIETE GENERALE	France	BRL	126	377	1,005	135	-	1,643	82	377	1,044	135	-	1,638	Monthly	11.60	11.60
Other loans																		
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	30,281	15,576	-	-	-	45,857	30,281	15,576	-	-	-	45,857	Monthly	4.23	4.23
Total				61,566	137,240	508,657	149,520	1,090,885	1,947,868	76,556	146,269	513,245	154,103	1,093,406	1,983,579			
Total consolidated				579,474	768,022	2,648,500	1,483,758	3,366,750	8,846,504	620,330	777,052	2,575,299	1,453,411	3,331,975	8,758,067			

Interest-bearing loans due in installments to December 31, 2013

Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Loans to exporters																		
97.032.000-8	BBVA	Chile	US\$	-	30,000	-	-	-	30,000	-	30,022	-	-	-	30,022	At expiration	1.00	1.00
97.036.000-K	SANTANDER	Chile	US\$	230,000	-	-	-	-	230,000	230,819	-	-	-	-	230,819	At expiration	1.63	1.63
97.030.000-7	ESTADO	Chile	US\$	-	40,000	-	-	-	40,000	-	40,023	-	-	-	40,023	At expiration	1.06	1.06
76.100.458-1	BLADEX	Chile	US\$	100,000	-	-	-	-	100,000	100,399	-	-	-	-	100,399	At expiration	1.87	1.87
Bank loans																		
97.036.000-K	SANTANDER	Chile	US\$	-	-	115,051	-	-	115,051	153	-	115,051	-	-	115,204	At expiration	3.19	3.19
97.023.000-9	CORPBANCA	Chile	UF	15,590	46,772	124,724	81,374	-	268,460	17,475	46,771	122,780	80,528	-	267,554	Quarterly	4.85	4.85
0-E	CITIBANK	Argentina	ARS	-	15,335	-	-	-	15,335	35	15,335	-	-	-	15,370	Monthly	20.75	20.75
0-E	BBVA	Argentina	ARS	-	27,603	-	-	-	27,603	362	27,603	-	-	-	27,965	Monthly	23.78	23.78
Guaranteed obligations																		
0-E	ING	U.S.A.	US\$	2,865	8,808	25,172	27,867	26,831	91,543	3,635	8,807	24,144	27,437	26,682	90,705	Quarterly	5.69	5.01
0-E	CREDIT AGRICOLE	France	US\$	12,920	34,713	82,646	10,033	-	140,312	13,209	34,713	82,646	10,033	-	140,601	Quarterly	1.99	1.99
0-E	PEFCO	U.S.A.	US\$	2,219	6,745	-	-	-	8,964	2,239	6,746	(19)	-	-	8,966	Quarterly	3.06	2.73
0-E	BNP PARIBAS	U.S.A.	US\$	8,875	27,256	76,985	83,871	221,267	418,254	10,356	27,256	75,420	83,243	221,031	417,306	Quarterly	2.45	2.31
0-E	WELLS FARGO	U.S.A.	US\$	46,007	139,012	378,314	389,759	1,146,684	2,099,776	52,722	139,012	330,363	365,871	1,115,366	2,003,334	Quarterly	2.47	1.76
0-E	CITIBANK	U.S.A.	US\$	9,607	29,315	81,681	87,189	164,399	372,191	10,850	29,315	76,583	84,847	162,473	364,068	Quarterly	2.64	2.04
97.036.000-K	SANTANDER	Chile	US\$	5,021	15,237	41,767	43,552	95,022	200,599	5,347	15,238	38,966	42,256	93,880	195,687	Quarterly	1.32	0.78
0-E	BTMU	U.S.A.	US\$	2,579	7,846	21,655	22,801	63,189	118,070	2,784	7,846	19,797	21,891	62,166	114,484	Quarterly	1.64	1.04
0-E	APPLE BANK	U.S.A.	US\$	1,264	3,848	10,636	11,210	31,544	58,502	1,431	3,848	9,716	10,758	31,027	56,780	Quarterly	1.63	1.04
0-E	US BANK	U.S.A.	US\$	13,840	41,995	115,549	120,924	411,684	703,992	17,106	41,995	93,083	109,417	395,163	656,764	Quarterly	2.81	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	4,348	13,408	38,018	32,448	84,814	173,036	5,053	13,408	38,017	32,449	84,814	173,741	Quarterly	3.27	3.27
-	SWAP Aircraft arrivals	-	US\$	681	1,915	4,104	2,521	765	9,986	681	1,915	4,104	2,521	765	9,986	Quarterly	-	-
Other guaranteed obligations																		
0-E	DVB BANK SE	U.S.A.	US\$	7,703	23,342	64,247	-	-	95,292	7,766	23,343	64,247	-	-	95,356	Quarterly	1.99	1.99
Financial leases																		
0-E	ING	U.S.A.	US\$	4,523	13,896	37,656	9,001	-	65,076	4,964	13,896	37,395	8,971	-	65,226	Quarterly	3.23	3.03
0-E	CREDIT AGRICOLE	France	US\$	4,808	13,833	63,715	7,158	-	89,514	4,952	13,834	63,715	7,157	-	89,658	Quarterly	1.21	1.21
0-E	CITIBANK	U.S.A.	US\$	1,430	4,414	12,707	14,254	7,759	40,564	1,651	4,413	12,254	14,089	7,731	40,138	Quarterly	6.38	5.65
0-E	PEFCO	U.S.A.	US\$	13,867	42,702	121,395	108,403	22,407	308,774	15,884	42,702	118,027	107,595	22,324	306,532	Quarterly	5.35	4.23
0-E	BNP PARIBAS	U.S.A.	US\$	6,443	19,839	56,989	56,934	7,129	147,334	6,908	19,839	55,403	56,567	7,109	145,826	Quarterly	4.65	4.15
0-E	BANC OF AMERICA	U.S.A.	US\$	616	1,891	5,392	-	-	7,899	647	1,891	5,392	-	-	7,930	Monthly	1.43	1.43
Other loans																		
0-E	BOEING	U.S.A.	US\$	-	-	170,838	-	-	170,838	-	1,650	170,838	-	-	172,488	At expiration	1.75	1.75
0-E	CITIBANK (*)	U.S.A.	US\$	-	-	79,611	174,178	196,211	450,000	4,050	-	79,611	174,178	196,211	454,050	Quarterly	6.00	6.00
Total				495,206	609,725	1,728,852	1,283,477	2,479,705	6,596,965	521,478	611,421	1,637,533	1,239,808	2,426,742	6,436,982			

(*) Securitized bond with the future flows from the sales with credit card in United States and Canada.

Interest-bearing loans due in installments to December 31, 2013
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Bank loans																		
0-E	CITIBANK	Brazil	US\$	2,207	41,678	-	-	-	43,885	2,306	42,413	-	-	-	44,719	At Expiration	3.76	3.20
0-E	BANCO DO Brazil S.A.	Brazil	US\$	9,050	128,799	-	-	-	137,849	9,410	130,742	-	-	-	140,152	At Expiration	5.20	4.66
0-E	BANCO ITAU BBA	Brazil	US\$	26,611	47,219	-	-	-	73,830	27,804	48,424	-	-	-	76,228	At Expiration	6.31	4.73
0-E	BANCO SAFRA	Brazil	US\$	40,626	21,731	-	-	-	62,357	41,768	22,213	-	-	-	63,981	At Expiration	3.73	2.94
0-E	BANCO SAFRA	Brazil	BRL	193	443	48	-	-	684	187	431	51	-	-	669	Monthly	7.42	7.42
0-E	BANCO BRADESCO	Brazil	US\$	74,700	47,641	-	-	-	122,341	77,218	48,828	-	-	-	126,046	At Expiration	3.87	3.29
0-E	BANCO BRADESCO	Brazil	BRL	-	42,688	-	-	-	42,688	-	42,701	-	-	-	42,701	At Expiration	10.63	10.15
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	102	316	915	1,031	1,851	4,215	123	316	915	1,031	1,851	4,236	Monthly	6.01	6.01
Obligation with the public																		
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	-	-	-	300,000	800,000	1,100,000	19,760	2,001	5,343	305,554	805,774	1,138,432	At Expiration	8.60	8.41
Financial leases																		
0-E	AES INVESTMENT IX LLC	U.S.A.	US\$	1,762	5,438	15,673	17,540	17,908	58,321	2,036	5,437	15,673	17,541	17,908	58,595	Monthly	1.25	1.25
0-E	AIR CANADA	U.S.A.	US\$	1,325	1,645	-	-	-	2,970	1,325	1,645	-	-	-	2,970	Monthly	-	-
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,020	9,311	26,792	20,813	15,416	75,352	3,156	9,311	26,792	20,812	15,417	75,488	Monthly	1.42	1.42
0-E	AWAS	U.S.A.	US\$	2,992	2,659	-	-	-	5,651	3,656	2,659	-	-	-	6,315	Monthly	-	-
0-E	BNP PARIBAS	U.S.A.	US\$	580	1,810	5,262	5,982	8,448	22,082	651	1,810	5,262	5,982	8,448	22,153	Quarterly	1.00	1.00
0-E	BNP PARIBAS	France	US\$	578	1,758	4,959	5,371	9,693	22,359	652	1,758	4,959	5,371	9,693	22,433	Quarterly	0.86	0.75
0-E	CITIBANK	England	US\$	5,983	18,179	44,318	47,123	106,987	222,590	6,401	18,179	44,318	47,123	106,987	223,008	Quarterly	1.03	0.90
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,258	12,917	55,573	11,431	13,766	97,945	4,516	12,917	55,573	11,431	13,766	98,203	Quarterly	1.40	1.40
0-E	CREDIT AGRICOLE-CIB	France	US\$	7,911	25,433	58,866	50,469	52,717	195,396	8,334	25,433	58,866	50,469	52,717	195,819	Quarterly/Semiannual	0.75	0.65
0-E	DVB BANK SE	Germany	US\$	3,125	9,375	12,500	-	-	25,000	3,195	9,375	12,500	-	-	25,070	Quarterly	2.50	2.50
0-E	DVB BANK SE	U.S.A.	US\$	197	590	1,210	282	-	2,279	201	590	1,210	282	-	2,283	Monthly	1.75	1.75
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,430	48,548	-	-	-	51,978	3,501	48,548	-	-	-	52,049	Monthly	1.25	1.25
0-E	HSBC	France	US\$	1,307	3,983	10,976	11,533	36,497	64,296	1,436	3,983	10,976	11,533	36,497	64,425	Quarterly	1.45	1.25
0-E	KFW IPEX-BANK	Germany	US\$	3,877	11,869	28,660	20,499	17,813	82,718	4,027	11,869	28,660	20,500	17,813	82,869	Monthly/Quarterly	1.74	1.74
0-E	NATIXIS	France	US\$	6,009	16,490	49,293	55,352	118,984	246,128	7,586	16,490	49,293	55,352	118,984	247,705	Quarterly/Semiannual	2.81	2.78
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	2,780	8,610	40,227	17,171	37,615	106,403	2,964	8,611	40,227	17,171	37,615	106,588	Monthly	1.71	1.71
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	453	1,303	3,097	2,617	14,267	21,737	498	1,303	3,097	2,617	14,267	21,782	Quarterly	2.00	2.00
0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US\$	1,769	1,425	-	-	-	3,194	1,773	1,425	-	-	-	3,198	Monthly	1.25	1.25
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	11,772	35,604	87,655	96,473	102,591	334,095	12,694	35,604	87,655	96,473	102,591	335,017	Quarterly	3.86	3.78
0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	515	1,566	4,297	4,485	6,531	17,394	541	1,566	4,297	4,485	6,531	17,420	Quarterly	0.57	0.57
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	239	724	-	-	-	963	222	674	-	-	-	896	Monthly	10.38	10.38
0-E	BANCO IBM S.A	Brazil	BRL	134	192	511	213	-	1,050	153	192	511	213	-	1,069	Monthly	10.58	10.58
0-E	HP FINANCIAL SERVICE	Brazil	BRL	287	746	2,218	308	-	3,559	285	745	2,220	308	-	3,558	Monthly	9.90	9.90
0-E	SOCIETE AIR FRANCE	France	EUR	69	1,310	-	-	-	1,379	824	1,205	-	-	-	2,029	Monthly	6.82	6.82
Other loans																		
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	27,244	537	-	-	-	27,781	27,244	537	-	-	-	27,781	Monthly	2.38	2.38
Total				245,105	552,537	453,050	668,693	1,361,084	3,280,469	276,447	559,935	458,398	674,248	1,366,859	3,335,887			
Total consolidated				740,311	1,162,262	2,181,902	1,952,170	3,840,789	9,877,434	797,925	1,171,356	2,095,931	1,914,056	3,793,601	9,772,869			

(b) Derivatives not recognized as a hedge

	Current liabilities		Non-current liabilities		Total derivative not recognized as a hedge	
	As of	As of	As of	As of	As of	As of
	December 31,	December 31,	December 31,	December 31,	December 31,	December 31,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Interest rate derivative not recognized as a hedge	1,190	4,040	-	1,491	1,190	5,531
Total derivatives not recognized as a hedge	<u>1,190</u>	<u>4,040</u>	<u>-</u>	<u>1,491</u>	<u>1,190</u>	<u>5,531</u>

(c) Hedge derivatives

	Current liabilities		Non-current liabilities		Total hedge derivatives	
	As of	As of	As of	As of	As of	As of
	December 31,	December 31,	December 31,	December 31,	December 31,	December 31,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Accrued interest from the last date of interest rate swap	5,173	5,775	-	-	5,173	5,775
Fair value of interest rate derivatives	26,395	32,070	28,327	54,906	54,722	86,976
Fair value of fuel derivatives	157,233	-	-	-	157,233	-
Fair value of foreign currency derivatives	37,242	28,621	-	-	37,242	28,621
Total hedge derivatives	<u>226,043</u>	<u>66,466</u>	<u>28,327</u>	<u>54,906</u>	<u>254,370</u>	<u>121,372</u>

The foreign currency derivatives exchanges are FX forward and cross currency swap.

Hedging operation

The fair values of assets/ (liabilities), by type of derivative, of the contracts held as hedging instruments are presented below:

	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Cross currency swaps (CCS) (1)	(38,802)	(26,028)
Interest rate options (2)	1	6
Interest rate swaps (3)	(58,758)	(92,088)
Fuel collars (4)	(32,772)	1,878
Fuel swap (5)	(122,678)	13,990
Currency forward R\$/US\$ (6)	-	32,058
Currency forward CLP/US\$ (7)	-	(1,121)
Currency collars (8)	-	(1,652)

- (1) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate and the exchange rate dollar-UF of bank loans. These contracts are recorded as cash flow hedges and fair value.
- (2) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate for long-term loans incurred in the acquisition of aircraft. These contracts are recorded as cash flow hedges.
- (3) Covers the significant variations in cash flows associated with market risk implicit in the increases in the 3 months LIBOR interest rates for long-term loans incurred in the acquisition of aircraft and bank loans. These contracts are recorded as cash flow hedges.
- (4) Covers significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases. These contracts are recorded as cash flow hedges.
- (5) Covers the significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases. These contracts are recorded as cash flow hedges.
- (6) Covers the foreign exchange risk exposure of operating cash flows caused mainly by fluctuations in the exchange rate R\$/US\$. These contracts are recorded as cash flow hedges.
- (7) Covers the investments denominated in Chilean pesos to Dollar- Chilean peso exchange rate, in order to secure investment in Dollars. These contracts are recorded as cash flow hedges.
- (8) Covers the foreign exchange risk exposure of Multiplus income caused by fluctuations in the exchange rate R\$/US\$.

During the periods presented, the Company only maintains cash flow hedges and fair value (in the case of CCS). In the case of fuel hedges, the cash flows subject to such hedges will impact results in the next 12 months from the consolidated statement of financial position date, meanwhile in the case of interest rate hedging, the hedges will impact results over the life of the related loans, which are valid for 12 years. The hedges on investments will impact results continuously throughout the life of the investment, while the cash flows occur at the maturity of the investment. In the case of currency hedges through a CCS, are generated two types of hedge accounting, a cash flow component by UF, and other fair value by US\$ floating rate component.

During the periods presented, there have not occurred hedging operations of future highly probable transaction that have not been realized.

Since none of the coverage resulted in the recognition of a non-financial asset, no portion of the result of the derivatives recognized in equity was transferred to the initial value of such assets.

The amounts recognized in comprehensive income during the period and transferred from net equity to income are as follows:

	For the periods ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Debit (credit) recognized in comprehensive income during the period	(163,993)	128,166
Debit (credit) transferred from net equity to income during the period	(151,520)	(18,688)

NOTE 19 - TRADE AND OTHER ACCOUNTS PAYABLES

The composition of Trade and other accounts payables is as follows:

	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Current		
(a) Trade and other accounts payables	1,196,123	1,264,395
(b) Accrued liabilities at the reporting date	293,273	293,341
Total trade and other accounts payables	<u>1,489,396</u>	<u>1,557,736</u>

(a) Trade and other accounts payable:

	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Trade creditors	924,105	969,260
Leasing obligation	37,322	44,756
Other accounts payable (*)	234,696	250,379
Total	<u>1,196,123</u>	<u>1,264,395</u>

(*) Include agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 20.

The details of Trade and other accounts payables are as follows:

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Aircraft Fuel	290,109	302,419
Boarding Fee	193,263	217,389
Other personnel expenses	114,245	117,418
Airport charges and overflight	102,111	98,560
Professional services and advisory	65,445	63,082
Suppliers' technical purchases	64,799	67,995
Handling and ground handling	55,503	48,797
Marketing	54,885	50,009
Land services	47,103	47,046
Aircraft and engines leasing	37,322	44,756
Leases, maintenance and IT services	34,029	46,163
Services on board	24,642	29,940
Maintenance	14,757	15,793
Crew	12,403	14,040
Achievement of goals	12,197	9,806
Communications	6,447	4,578
Aviation insurance	4,749	10,665
Distribution sistem	3,293	3,103
Airlines	908	5,054
Tax recovery program (*)	-	14,569
U.S.A. Department of Justice (**)	-	18,290
Others	57,913	34,923
	<u>1,196,123</u>	<u>1,264,395</u>
Total trade and other accounts payables		

(*) Fiscal Recovery Program in Brazil (REFIS), established in Law No. 11.941/09 and Provisional Measure No. 449/2009. REFIS is intended to allow the settlement of tax debts through a special mechanism to pay and refinance (See Note 17(b)).

(**) Include agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 20.

(b) Liabilities accrued:

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Accrued personnel expenses	130,382	151,586
Aircraft and engine maintenance	121,946	3,741
Accounts payable to personnel (*)	16,407	110,147
Others accrued liabilities	24,538	27,867
	<u>293,273</u>	<u>293,341</u>
Total accrued liabilities		

(*) Profits and bonds participation (Note 22 letter b)

NOTE 20 - OTHER PROVISIONS

The detail of Other provisions as of December 31, 2014 and December 31, 2013 is as follows:

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of December 31, 2014	As of December 31, 2013	As of December 31, 2014	As of December 31, 2013	As of December 31, 2014	As of December 31, 2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Provision for contingencies (1)						
Tax contingencies	320	7,092	607,371	968,211	607,691	975,303
Civil contingencies	11,870	13,430	47,355	50,022	59,225	63,452
Labor contingencies	221	7,334	23,064	64,895	23,285	72,229
Other	-	-	15,351	27,770	15,351	27,770
Provision for European						
Commision investigation (2)	-	-	9,999	11,349	9,999	11,349
Total other provisions (3)	<u>12,411</u>	<u>27,856</u>	<u>703,140</u>	<u>1,122,247</u>	<u>715,551</u>	<u>1,150,103</u>

(1) Provisions for contingencies:

The tax contingencies correspond to litigation and tax criteria related to the tax treatment applicable to direct and indirect taxes, which are found in both administrative and judicial stage.

The civil contingencies correspond to different demands of civil order filed against the company.

The labor contingencies correspond to different demands of labor order filed against the company.

The Provisions are recognized in the consolidated income statement in administrative expenses or tax expenses, as appropriate.

- (2) Provision made for proceedings brought by the European Commission for possible breaches of free competition in the freight market.
- (3) Total other provision at December 31, 2014, and at December 31, 2013, include the fair value correspond to those contingencies from the business combination with TAM S.A and subsidiaries, with a probability of loss under 50%, which are not provided for the normal application of IFRS enforcement and that only must be recognized in the context of a business combination in accordance with IFRS 3.

Movement of provisions:

	Legal claims	European Commission Investigation(*)	Total
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	1,355,581	10,865	1,366,446
Increase in provisions	65,107	-	65,107
Provision used	(57,192)	-	(57,192)
Difference by subsidiaries conversion	(170,452)	-	(170,452)
Reversal of provision	(53,459)	-	(53,459)
Exchange difference	(831)	484	(347)
Closing balance as of December 31, 2013	<u>1,138,754</u>	<u>11,349</u>	<u>1,150,103</u>
Opening balance as of January 1, 2014	1,138,754	11,349	1,150,103
Increase in provisions	42,792	-	42,792
Provision used	(27,597)	-	(27,597)
Difference by subsidiaries conversion	(132,092)	-	(132,092)
Reversal of provision	(315,288)	-	(315,288)
Exchange difference	(1,017)	(1,350)	(2,367)
Closing balance as of December 31, 2014	<u>705,552</u>	<u>9,999</u>	<u>715,551</u>

Accumulated balance includes the judicial deposit in guarantee, related to the “Fundo Aeroviário” (FA), in the amount of US\$ 90 million, was done in order to suspend the enforceability of the tax credit. The company is discussing over the Tribunal the constitutionality of the requirement made by FA in a legal suit. Initially it was covered by the effects of a provisional remedy, meaning that, the company was not obligated to collect the tax while there was not a judicial decision in this regard. However, the decision taken by a judge in the first instance was publicized in an unfavorable way, revoking the provisional remedy relief. As the legal suit is still in progress (TAM appealed from this first decision), the company needed to do the deposit judicial in guarantee to suspend the enforceability of such tax credit; deposit classified in this category deducting the existing provision. Finally, if the final decision is favorable to the company, the deposit already made is going to come back to TAM. On the other hand, if the tribunal confirms the first decision, such deposit will be converted in a definitive payment in favor of the Brazilian Government. The procedural stage at December 31, 2014 is disclosed in Note 30, at case No. 2001.51.01.012530-3.

(*) European Commission Provision:

- (a) This provision was established because of the investigation brought by the Directorate General for Competition of the European Commission against more than 25 cargo airlines, including Lan Cargo S.A., as part of a global investigation begun in 2006 regarding possible unfair competition on the air cargo market. This was a joint investigation by the European and U.S.A. authorities. The start of the investigation was disclosed through an Essential Matter report dated December 27, 2007. The U.S.A. portion of the global investigation concluded when Lan Cargo S.A. and its subsidiary, Aerolíneas Brasileiras S.A. (“ABSA”) signed a *Plea Agreement* with the U.S.A. Department of Justice, as disclosed in an Essential Matter report notice on January 21, 2009.
- (b) A Essential Matter report dated November 9, 2010, reported that the General Direction of Competition had issued its decision on this case (the "decision"), under which it imposed fines totaling € 799,445,000 (seven hundred and ninety nine million four hundred and forty-five thousand Euros) for infringement of European Union regulations on free competition against eleven (11) airlines, among which are LATAM Airlines Group S.A. and Lan Cargo S.A., Air Canada, Air France, KLM, British Airways, Cargolux, Cathay Pacific, Japan Airlines, Qantas Airways, S.A.S. and Singapore Airlines.
- (c) Jointly, LATAM Airlines Group S.A. and Lan Cargo S.A., have been fined in the amount of € 8,220,000 (eight million two hundred twenty thousand Euros) for said infractions, which was provisioned in the financial statements of LATAM Airlines Group S.A.. This is a minor fine in comparison to the original decision, as there was a significant reduction in fine because LATAM Airlines Group S.A. cooperated during the investigation.
- (d) On January 24, 2011, LATAM Airlines Group S.A. and Lan Cargo S.A. appealed the decision before the Court of Justice of the European Union. The procedural stage at December 31, 2014 is disclosed in Note 30, in (ii) lawsuits received by Latam Airlines Group S.A. and Subsidiaries in European Commission Court.

NOTE 21 - OTHER NON-FINANCIAL LIABILITIES

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of	As of	As of	As of	As of	As of
	2014	2013	2014	2013	2014	2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Deferred revenues (*)	2,565,391	2,739,125	355,353	77,513	2,920,744	2,816,638
Sales tax	38,160	52,576	-	-	38,160	52,576
Retentions	52,567	49,355	-	-	52,567	49,355
Others taxes	18,880	12,294	-	-	18,880	12,294
Other sundry liabilities	10,388	18,290	48	54	10,436	18,344
Total other non-financial liabilities	2,685,386	2,871,640	355,401	77,567	3,040,787	2,949,207

(*) Note 2.20.

The balance comprises, mainly, deferred income by services not yet rendered and programs such as: LANPASS, TAM Fidelidade y Multiplus:

LANPASS is the frequent flyer program created by LAN to reward the preference and loyalty its customers with many benefits and privileges, by the accumulation of kilometers that can be exchanged for free flying tickets or a wide range of products and services. Customers accumulate LANPASS kilometers every time they fly with LAN, TAM, in companies **oneworld®** members and other airlines associated with the program, as well as buy on the stores or use the services of a vast network of companies that have an agreement with the program around the world.

For its part, TAM, thinking on frequent flyer who travel constantly, created the program TAM Fidelidade, in order to improve the passenger attention and give recognition to those who choose the company. By using this program, customers accumulate points in a variety of programs loyalty in a single account and can redeem them at all TAM destinations and related airline companies, and even more, participate in the Red Multiplus Fidelidade.

Multiplus is a coalition of loyalty program, with the aim of operate accumulation activities and redemption of points. This program has an integrated network by associates including hotels, financial institutions, retail companies, supermarkets, vehicle rentals and magazines, among many other partners from different segments.

NOTE 22 - EMPLOYEE BENEFITS

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Retirements payments	36,523	9,639
Resignation payments	5,556	493
Other obligations	32,023	35,534
Total liability for employee benefits	<u>74,102</u>	<u>45,666</u>

(a) The movement in retirements and resignation payments and other obligations:

	Opening balance <u>ThUS\$</u>	Increase (decrease) current service provision <u>ThUS\$</u>	Benefits paid <u>ThUS\$</u>	Change of model <u>ThUS\$</u>	Closing balance <u>ThUS\$</u>
From January 1 to December 31, 2013	38,095	9,866	(2,295)	-	45,666
From January 1 to December 31, 2014	45,666	1,507	(2,466)	29,395	74,102

(b) The liability for short-term:

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Profit-sharing and bonuses (*)	<u>16,407</u>	<u>110,147</u>

(*) Accounts payables to employees (Note 19 letter b)

The participation in profits and bonuses correspond to an annual incentives plan for achievement of objectives.

(c) Employment expenses are detailed below:

	For the periods ended December 31,	
	2014 <u>ThUS\$</u>	2013 <u>ThUS\$</u>
Salaries and wages	1,656,565	1,720,513
Short-term employee benefits	361,328	452,158
Termination benefits	84,179	67,508
Other personnel expenses	248,030	252,590
Total	<u>2,350,102</u>	<u>2,492,769</u>

NOTE 23 - ACCOUNTS PAYABLE, NON-CURRENT

	As of December 31, 2014 <u>ThUS\$</u>	As of December 31, 2013 <u>ThUS\$</u>
Aircraft and engine maintenance	506,312	663,837
Tax recovery program (*)	-	176,666
Fleet financing (JOL)	59,148	57,997
Provision for vacations and bonuses	9,595	9,879
Other accounts payable	1,945	2,654
Other sundry liabilities	454	11,854
Total accounts payable, non-current	<u>577,454</u>	<u>922,887</u>

(*) Fiscal Recovery Program in Brazil (REFIS), established in Law No. 11.941/09 and Provisional Measure No. 449/2009. REFIS is intended to allow the settlement of tax debts through a special mechanism to pay and refinance (See Note 17(b)).

NOTE 24 - EQUITY

(a) Capital

The Company's objective is to maintain an appropriate level of capitalization that enables it to ensure access to the financial markets for carrying out its medium and long-term objectives, optimizing the return for its shareholders and maintaining a solid financial position.

The Capital of the Company is managed and composed in the following form:

The capital of the Company at December 31, 2014 amounts to ThUS\$ 2,545,705 divided into 545,547,819 common stock of a same series (ThUS\$ 2,389,384, divided into 535,243,229 shares as of December 31, 2013), no par value. There are no special series of shares and no privileges. The form of its stock certificates and their issuance, exchange, disablement, loss, replacement and other similar circumstances, as well as the transfer of the shares, is governed by the provisions of Corporations Law and its regulations.

(b) Subscribed and paid shares

The following table shows the movement of the authorized and fully paid shares described above:

Movement of authorized shares	Nro. Of shares
Authorized shares as of January 1, 2013	488,355,791
Increase capital approved at Extraordinary Shareholders meeting dated June 11, 2013	63,500,000
Full right decrease of treasury stock	<u>(7,972)</u>
Authorized shares as of December 31, 2013	<u>551,847,819</u>
Authorized shares as of January 1, 2014	551,847,819
No movement of authorized shares at December 31, 2014	-
Authorized shares as of December 31, 2014	<u>551,847,819</u>

Movement fully paid shares

	N° of shares	Movement value of shares (1) ThUS\$	Cost of issuance and placement of shares (2) ThUS\$	Paid- in Capital ThUS\$
Paid shares as of January 1, 2013	479,098,052	1,507,200	(6,182)	1,501,018
Placement of the remaining preferential shares issued for merger Companies Sister Holdco S.A. y Holdco II S.A.	4,457,739	104,351	-	104,351
Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013	51,695,410	784,219	-	784,219
Full right decrease of treasury stock	(7,972)	(25)	-	(25)
Capitalization of reserves	-	-	(179)	(179)
Paid shares as of December 31, 2013	<u>535,243,229</u>	<u>2,395,745</u>	<u>(6,361)</u>	<u>2,389,384</u>
Paid shares as of January 1, 2014	535,243,229	2,395,745	(6,361)	2,389,384
Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013	10,304,590	156,321	-	156,321
Paid shares as of December 31, 2014	<u>545,547,819 (3)</u>	<u>2,552,066</u>	<u>(6,361)</u>	<u>2,545,705</u>

(1) Amounts reported represent only those arising from the payment of the shares subscribed.

(2) Decrease of capital by capitalization of reserves for cost of issuance and placement of shares established according to Extraordinary Shareholder's Meetings, where such decreases were authorized.

(3) At December 31, 2014, the difference between authorized shares and fully paid shares are 6,300,000 shares allocated to compensation plans for executives of LATAM Airlines Group S.A. and subsidiaries (see Note 33(a)).

(c) Treasury stock

At December 31, 2014, the Company held no treasury stock, the remaining of ThUS\$ (178) corresponds to the difference between the amount paid for the shares and their book value, at the time of the full right decrease of the shares.

At December 31, 2013, as per minutes of the Extraordinary Shareholder's Meeting held on June 11, 2013, the company relinquished all right to 7,972 stocks of its portfolio, this date the Company does not maintain treasury stock.

(d) Reserve of share- based payments

Movement of Reserves of share- based payments:

Periods	Opening balance	Stock option plan	Deferred tax	Deferred tax by tax effect of change in legal rate (Tax reform) (*)	Closing balance
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
From January 1 to December 31, 2013	5,574	18,877	(3,440)	-	21,011
From January 1 to December 31, 2014	21,011	14,728	(3,389)	(2,708)	29,642

(*) On September 29, 2014, Law No. 20,780 "Amendment to the system of income taxation and introduces various adjustments in the tax system." was published in the Official Journal of the Republic of Chile. Within major tax reforms that law contains is modified gradually from 2014 to 2018 the First- Category Tax rate to be declared and paid starting in tax year 2015.

The effect on deferred tax calculated on the reserves of share- based payments by modifying the tax rate mentioned above, was a charge to equity of ThUS \$ 2,708.

These reserves are related to the "Share-based payments" explained in Note 33.

(e) Other sundry reserves

Movement of Other sundry reserves:

Periodos	Opening balance	Transactions with non-controlling interest	Cost of issuance and placement of shares	Capitalization share issuance and placement cost	Higer value for TAM S.A. share exchange	Legal reserves	Closing balance
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
From January 1 to December 31, 2013	2,666,682	(1,950)	(5,443)	179	-	(1,668)	2,657,800
From January 1 to December 31, 2014	2,657,800	(21,526)	-	-	-	(526)	2,635,748

(1) The costs incurred through the issuance and placement to ThUS\$ 5,264 and ThUS\$ 179 corresponds to the capital increase authorized at the Extraordinary Meeting of Shareholders held on June 11, 2013 and the remaining 7,436,816 shares, not used in this exchange

(business combination with TAM S.A. and subsidiaries), reallocated as agreed at the Extraordinary Shareholders' Meeting held on September 4, 2012, respectively.

- (2) The cost of ThUS\$ 179 was capitalized during June 2013, according with minute of the Extraordinary Meeting of Shareholders held on June 11, 2013.

Balance of Other sundry reserves comprises the following:

	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Higher value for TAM S.A. share exchange (1)	2,665,692	2,665,692
Reserve for the adjustment to the value of fixed assets (2)	2,620	2,620
Transactions with non-controlling interest (3)	(25,891)	(5,355)
Cost of issuance and placement of shares	(5,264)	(5,264)
Others	<u>(1,409)</u>	<u>107</u>
Total	<u><u>2,635,748</u></u>	<u><u>2,657,800</u></u>

- (1) Corresponds to the difference in the shares value of TAM S.A. acquired (under subscriptions) by Sister Holdco S.A. and Holdco II S.A. (under the Exchange Offer), as stipulated in the Declaration of Posting of Merger by Absorption and the fair value of these exchange shares of LATAM Airlines Group S.A. at June 22, 2012.
- (2) Corresponds to the technical revaluation of fixed assets authorized by the Superintendence of Securities and Insurance in 1979, in Circular No. 1,529. The revaluation was optional and could be taken only once, the reserve is not distributable and can only be capitalized.
- (3) The balance at December 31, 2014, correspond to the loss generated by the participation of Lan Pax Group S.A. in the acquisition of shares of Aerovías de Integración Regional Aires of ThUS\$ (3,480), the acquisition of TAM S.A. of the minority holding of Aerolinhas Brasileiras S.A. of ThUS\$ (885) and the acquisition of minority interest of Aerolane S.A. by Lan Pax group S.A. through Holdco Ecuador S.A. for US\$ (21,526).

(f) Reserves with effect in other comprehensive income.

Movement of Reserves with effect in other comprehensive income:

	Currency translation reserve	Cash flow hedging reserve	Total
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	3,574	(140,730)	(137,156)
Derivatives valuation gains (losses)	-	124,227	124,227
Deferred tax	-	(18,005)	(18,005)
Difference by subsidiaries conversion	(593,565)	-	(593,565)
Closing balance as of December 31, 2013	<u>(589,991)</u>	<u>(34,508)</u>	<u>(624,499)</u>
Opening balance as of January 1, 2014	(589,991)	(34,508)	(624,499)
Derivatives valuation gains (losses)	-	(165,231)	(165,231)
Deferred tax	-	40,647	40,647
Tax effect on deferred tax			
by change legal tax rate (Tax reform)(*)	-	7,752	7,752
Difference by subsidiaries conversion	(603,880)	-	(603,880)
Closing balance as of December 31, 2014	<u>(1,193,871)</u>	<u>(151,340)</u>	<u>(1,345,211)</u>

(*) On September 29, 2014, Law No. 20,780 "Amendment to the system of income taxation and introduces various adjustments in the tax system." was published in the Official Journal of the Republic of Chile. Within major tax reforms that law contains is modified gradually from 2014 to 2018 the First- Category Tax rate to be declared and paid starting in tax year 2015.

(f.1) Currency translation reserve

These originate from exchange differences arising from the translation of any investment in foreign entities (or Chilean investment with a functional currency different to that of the parent), and from loans and other instruments in foreign currency designated as hedges for such investments. When the investment (all or part) is sold or disposed and loss of control occurs, these reserves are shown in the consolidated statement of income as part of the loss or gain on the sale or disposal. If the sale does not involve loss of control, these reserves are transferred to non-controlling interests.

(f.2) Cash flow hedging reserve

These originate from the fair value valuation at the end of each period of the outstanding derivative contracts that have been defined as cash flow hedges. When these contracts expire, these reserves should be adjusted and the corresponding results recognized.

(g) Retained earnings

Movement of Retained earnings:

Periods	Opening	Result	Other	Deferred tax	Closing
	balance	for the	increase	by tax effect	
	ThUS\$	period	(decreases)	of change in legal tax rate	balance
	ThUS\$	ThUS\$	ThUS\$	(Tax reform) (*)	ThUS\$
From January 1 to December 31, 2013	1,076,136	(281,114)	281	-	795,303
From January 1 to December 31, 2014	795,303	(109,790)	872	(150,195)	536,190

(*) According to the instructions of Chilean Superintendency of Securities and Insurance in his Office Circular No. 856 of October 17, 2014, the Company recognized a loss on their retained earnings ThUS\$ 150,210 as a result of the rate increase.

(h) Dividends per share

As of December 31, 2013

Description of dividend	Final dividend 2012
Date of dividend	04-29-2013
Amount of the dividend (ThUS\$)	3,288
Number of shares among which the dividend is distributed	483,547,819
Dividend per share (US\$)	0.0068

The Company's dividend policy is that dividends distributed will be equal to the minimum required by law, i.e. 30% of the net income according to current regulations. This policy does not preclude the Company from distributing dividends in excess of this obligatory minimum, based on the events and circumstances that may occur during the course of the year.

At December 31, 2014, have not been provisioned minimum mandatory dividends.

NOTE 25 - REVENUE

The detail of revenues is as follows:

	For the periods ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Passengers LAN	4,464,761	4,731,296
Passengers TAM	5,915,361	6,330,262
Cargo	<u>1,713,379</u>	<u>1,862,979</u>
Total	<u><u>12,093,501</u></u>	<u><u>12,924,537</u></u>

NOTE 26 - COSTS AND EXPENSES BY NATURE

(a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the periods ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Aircraft fuel	4,167,030	4,414,249
Other rentals and landing fees	1,327,238	1,373,061
Aircraft rentals	521,384	441,077
Aircraft maintenance	452,731	477,086
Comissions	365,508	408,671
Passenger services	300,325	331,405
Other operating expenses	<u>1,487,672</u>	<u>1,644,827</u>
Total	<u><u>8,621,888</u></u>	<u><u>9,090,376</u></u>

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the periods ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Depreciation (*)	943,731	985,317
Amortization	47,533	56,416
Total	<u>991,264</u>	<u>1,041,733</u>

(*) Include the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases. The amount of maintenance cost included within the depreciation line item at December 31, 2014 is ThUS\$ 373,183 (ThUS\$ 396,974 at December 31, 2013).

(c) Personnel expenses

The costs for personnel expenses are disclosed in Note 22 liability for employee benefits.

(d) Financial costs

The detail of financial costs is as follows:

	For the periods ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Bank loan interest	330,298	382,969
Financial leases	72,242	76,343
Other financial instruments	27,494	3,212
Total	<u>430,034</u>	<u>462,524</u>

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 22, are equivalent to the sum of cost of sales, distribution costs, administrative expenses, other expenses and financing costs presented in the consolidated statement of income by function.

(e) Restructuring Costs

As part of the ongoing process of review its fleet plan, the company decided to implement a broad restructuring plan in order to reduce the variety of aircraft currently in operation and gradually

withdrawing the less efficient. According with this plan, during the first quarter of 2014 were formalized contracts and commitments having as a result a negative impact on the results of such period of US\$ 112 million before tax that are associated with exit costs of seven A330, six A340, five B737, three Q400, five A319 and three B767-33A aircraft. These exit costs are associated with penalties related to early repayment and maintenance costs for returning.

NOTE 27 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the periods ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Tours	109,788	105,449
Aircraft leasing	31,104	36,614
Customs and warehousing	22,368	24,281
Duty free	18,076	14,748
Maintenance	15,421	12,392
Other miscellaneous income	180,888	148,081
Total	<u>377,645</u>	<u>341,565</u>

NOTE 28 - FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

The functional currency of LATAM Airlines Group S.A. is the US dollar, also it has subsidiaries whose functional currency is different to the US dollar, such as the Chilean peso, Argentine peso, Colombian peso and Brazilian real.

The functional currency is defined primarily as the currency of the primary economic environment in which an entity operates and in each entity and all other currencies are defined as foreign currency.

Considering the above, the balances by currency mentioned in this note correspond to the sum of foreign currency of each of the entities that make LATAM Airlines Group S.A. and Subsidiaries.

(a) Foreign currency

The foreign currency detail of balances of monetary items in current and non-current assets is as follows:

<u>Current assets</u>	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Cash and cash equivalents	213,161	538,213
Argentine peso	22,121	41,092
Brazilian real	2,365	3,683
Chilean peso	30,453	229,913
Colombian peso	1,622	5,254
Euro	9,639	16,571
U.S. dollar	50,652	44,656
Strong bolivar	63,236	162,809
Other currency	33,073	34,235
Other financial assets, current	73,030	51,082
Argentine peso	40,939	885
Chilean peso	25,781	25,854
Colombian peso	-	2,039
Euro	1	6
U.S. dollar	6,008	22,035
Strong bolivar	43	14
Other currency	258	249

<u>Current assets</u>	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Other non - financial assets, current	59,700	56,218
Argentine peso	7,326	5,310
Brazilian real	148	846
Chilean peso	18,073	16,846
Colombian peso	1,415	1,011
Euro	2,523	3,052
U.S. dollar	5,751	2,221
Strong bolivar	330	102
Other currency	24,134	26,830
Trade and other accounts receivable, current	543,257	417,775
Argentine peso	61,291	11,387
Brazilian real	33,267	19,986
Chilean peso	128,780	80,461
Colombian peso	4,394	2,240
Euro	38,764	21,479
U.S. dollar	75,876	114,372
Strong bolivar	4,895	2,353
Other currency	195,990	165,497
Accounts receivable from related entities, current	299	466
Chilean peso	299	466
Tax current assets	21,605	14,836
Argentine peso	2,300	-
Brazilian real	2	-
Chilean peso	5,773	3,398
Colombian peso	1,995	787
Euro	21	35
U.S. dollar	467	515
Other currency	11,047	10,101
Total current assets	911,052	1,078,590
Argentine peso	133,977	58,674
Brazilian real	35,782	24,515
Chilean peso	209,159	356,938
Colombian peso	9,426	11,331
Euro	50,948	41,143
U.S. Dollar	138,754	183,799
Strong bolivar	68,504	165,278
Other currency	264,502	236,912

<u>Non-current assets</u>	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
Other financial assets, non-current	36,715	49,786
Argentine peso	57	24
Brazilian real	1,050	597
Chilean peso	1,100	1,701
Colombian peso	203	254
Euro	4,243	5,488
U.S. dollar	29,238	40,894
Other currency	824	828
Other non - financial assets, non-current	18,803	18,006
Argentine peso	45	-
U.S. dollar	1	-
Other currency	18,757	18,006
Accounts receivable, non-current	10,569	13,429
Chilean peso	5,413	8,227
U.S. dollar	5,000	5,000
Other currency	156	202
Deferred tax assets	2,613	4,460
Colombian peso	256	-
U.S. dollar	3	2,056
Other currency	2,354	2,404
Total non-current assets	68,700	85,681
Argentine peso	102	24
Brazilian real	1,050	597
Chilean peso	6,513	9,928
Colombian peso	459	254
Euro	4,243	5,488
U.S. dollar	34,242	47,950
Other currency	22,091	21,440

The foreign currency detail of balances of monetary items in current liabilities and non-current is as follows:

<u>Current liabilities</u>	<u>Up to 90 days</u>		<u>91 days to 1 year</u>	
	As of	As of	As of	As of
	December 31,	December 31,	December 31,	December 31,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other financial liabilities, current	71,436	303,626	173,416	561,428
Chilean peso	15,542	53,619	42,725	46,772
Euro	547	824	-	1,205
U.S. dollar	55,347	249,183	130,691	513,451
Trade and other accounts				
payables, current	421,188	679,769	20,875	20,676
Argentine peso	38,740	31,603	-	-
Brazilian real	14,330	9,671	13	8
Chilean peso	25,040	29,560	11,502	11,975
Colombian peso	13,652	14,445	187	422
Euro	35,937	19,373	8,266	3,316
U.S. dollar	175,298	433,377	827	4,902
Strong bolivar	5,261	4,024	-	-
Other currency	112,930	137,716	80	53
Accounts payable to related entities, current	35	318	-	-
Chilean peso	8	14	-	-
U.S. dollar	27	304	-	-
Tax liabilities, current	268	134	-	-
Chilean peso	268	4	-	-
Other currency	-	130	-	-

<u>Current liabilities</u>	<u>Up to 90 days</u>		<u>91 days to 1 year</u>	
	As of	As of	As of	As of
	December 31,	December 31,	December 31,	December 31,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other non-financial				
liabilities, current	126,953	76,040	158	72
Argentine peso	5,698	10,710	-	-
Brazilian real	959	3,746	46	52
Chilean peso	18,798	37,227	-	19
Colombian peso	4,670	6,069	-	-
Euro	6,400	8,382	-	-
U.S. dollar	44,728	1,272	111	-
Strong bolivar	227	637	-	-
Other currency	45,473	7,997	1	1
Total current liabilities	619,880	1,059,887	194,449	582,176
Argentine peso	44,438	42,313	-	-
Brazilian real	15,289	13,417	59	60
Chilean peso	59,656	120,424	54,227	58,766
Colombian peso	18,322	20,514	187	422
Euro	42,884	28,579	8,266	4,521
U.S. dollar	275,400	684,136	131,629	518,353
Strong bolivar	5,488	4,661	-	-
Other currency	158,403	145,843	81	54

<u>Non-current liabilities</u>	<u>More than 1 to 3 years</u>		<u>More than 3 to 5 years</u>		<u>More than 5 years</u>	
	As of	As of	As of	As of	As of	As of
	December 31,	December 31,	December 31,	December 31,	December 31,	December 31,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other financial liabilities, non-current	625,406	578,393	171,288	754,256	1,088,218	1,366,860
Chilean peso	112,161	122,780	17,186	80,528	-	-
U.S. dollar	513,245	455,613	154,102	673,728	1,088,218	1,366,860
Accounts payable, non-current	474,955	647,880	2,316	641	-	11
Chilean peso	4,938	7,187	2,316	641	-	11
U.S. dollar	468,184	639,204	-	-	-	-
Other currency	1,833	1,489	-	-	-	-
Other provisions, non-current	16,660	11,929	-	-	-	-
Argentine peso	454	410	-	-	-	-
Brazilian real	146	146	-	-	-	-
Chilean peso	36	-	-	-	-	-
Euro	9,999	11,349	-	-	-	-
U.S. dollar	6,025	24	-	-	-	-
Provisions for						
employees benefits, non-current	822	636	-	-	-	-
U.S. dollar	822	636	-	-	-	-
Total non-current liabilities	1,117,843	1,238,838	173,604	754,897	1,088,218	1,366,871
Argentine peso	454	410	-	-	-	-
Brazilian real	146	146	-	-	-	-
Chilean peso	117,135	129,967	19,502	81,169	-	11
Euro	9,999	11,349	-	-	-	-
U.S. dollar	988,276	1,095,477	154,102	673,728	1,088,218	1,366,860
Other currency	1,833	1,489	-	-	-	-

General summary of foreign currency:	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
Total assets	979,752	1,164,271
Argentine peso	134,079	58,698
Brazilian real	36,832	25,112
Chilean peso	215,672	366,866
Colombian peso	9,885	11,585
Euro	55,191	46,631
U.S. dollar	172,996	231,749
Strong bolivar	68,504	165,278
Other currency	286,593	258,352
Total liabilities	3,193,994	5,002,669
Argentine peso	44,892	42,723
Brazilian real	15,494	13,623
Chilean peso	250,520	390,337
Colombian peso	18,509	20,936
Euro	61,149	44,449
U.S. dollar	2,637,625	4,338,554
Strong bolivar	5,488	4,661
Other currency	160,317	147,386
Net position		
Argentine peso	89,187	15,975
Brazilian real	21,338	11,489
Chilean peso	(34,848)	(23,471)
Colombian peso	(8,624)	(9,351)
Euro	(5,958)	2,182
U.S. dollar	(2,464,629)	(4,106,805)
Strong bolivar	63,016	160,617
Other currency	126,276	110,966

(b) Exchange differences

Exchange differences recognized in the income statement, except for financial instruments measured at fair value through profit or loss, for the period ended December 31, 2014 and 2013, generated a debit of ThUS\$ 130,201 and ThUS\$ 482,174, respectively.

Exchange differences recognized in equity as reserves for currency translation differences for the period ended December 31, 2014 and 2013, represented a debit of ThUS\$ 650,439 and ThUS\$ 629,858, respectively.

The following shows the current exchange rates for the U.S. dollar, on the dates indicated:

	As of December 31, <u>2014</u>	As of December 31, <u>2013</u>
Argentine peso	8.55	6.52
Brazilian real	2.66	2.36
Chilean peso	606.75	524.61
Colombian peso	2,839.50	1,925.52
Euro	0.82	0.72
Strong bolivar	12.00	6.30
Australian dollar	1.22	1.12
Boliviano	6.86	6.86
Mexican peso	14.74	13.07
New Zealand dollar	1.28	1.22
Peruvian Sol	2.99	2.80
Uruguayan peso	24.25	21.49

NOTE 29 - EARNINGS / (LOSS) PER SHARE

	For the periods ended December 31,	
	2014	2013
Basic earnings / (loss) per share		
Earnings / (loss) attributable to owners of the parent (ThUS\$)	(109,790)	(281,114)
Weighted average number of shares, basic	545,547,819	487,930,977
Basic earnings / (loss) per share (US\$)	(0.20125)	(0.57613)
	For the periods ended December 31,	
	2014	2013
Diluted earnings / (loss) per share		
Earnings / (loss) attributable to owners of the parent (ThUS\$)	(109,790)	(281,114)
Weighted average number of shares, basic	545,547,819	487,930,977
Weighted average number of shares, diluted	<u>545,547,819</u>	<u>487,930,977</u>
Diluted earnings / (loss) per share (US\$)	<u>(0.20125)</u>	<u>(0.57613)</u>

NOTE 30 – CONTINGENCIES

Lawsuits

(i) Lawsuits filed by LATAM Airlines Group S.A. and Subsidiaries

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Atlantic Aviation Investments LLC (AAI)	Supreme Court of the State of New York County of New York.	07-6022920	Atlantic Aviation Investments LLC. ("AAI"), an indirect subsidiary LATAM Airlines Group S.A., incorporated under the laws of the State of Delaware, sued in August 29 th , 2007 Varig Logistics S.A. ("Variglog") for non-payment of four documented loans in credit agreements governed by New York law. These contracts establish the acceleration of the loans in the event of sale of the original debtor, VRG Linhas Aéreas S.A.	In implementation stage in Switzerland, the conviction stated that Variglog should pay the principal, interest and costs in favor of AAI. It keeps the embargo of Variglog funds in Switzerland with AAI. Variglog is in the process of judicial recovery in Brazil and has asked Switzerland to recognize the judgment that declared the state of judicial recovery and subsequent bankruptcy.	17,100 Plus interests and costs
Atlantic Aviation Investments LLC (AAI)	Supreme Court of the State of New York County of New York.	602286-09	Atlantic Aviation Investments LLC. ("AAI") sued on July 24 th , 2009 Matlin Patterson Global Advisers LLC, Matlin Patterson Global Opportunities Partners II LP, Matlin Patterson Global Opportunities Partners (Cayman) II LP and Logistics LLC Volo (a) as alter egos of Variglog for non-payment of the four loans mentioned in the previous note and (b) for breach of its obligation to guarantee and other obligations under the Memorandum of Understanding signed between the parties on September 29 th , 2006.	AAI filed a "summary judgment" (abbreviated trial) which the court ruled favorably. The defendants appealed this decision which was ultimately dismissed by the High Court. The cause was turned back to the lower court for determination of the amount actually payable by the applicants (damages) ongoing proceedings before the court.	17,100 Plus interest costs and compensation for damage.

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Lan Argentina S.A.	National Administrative Court.	36337/13	ORSNA Resolution No. 123 which directs Lan Argentina to vacate the hangar located in the Airport named Aeroparque Metropolitano Jorge Newberry, Argentina.	On June 19 th , 2014, the Second Division of the Federal Administrative Chamber confirmed the extension of the injunction granted by the Court of 1st Instance in March. On September 18 th , 2014 the Court of 1st Instance decided to extend the validity of the injunction until a sentence is reached in the main trial. On December 30 th , 2014 the Supreme Court of Justice of the Nation decided to reject the appeal of complaint presented by ORSNA against the granting of the injunction.	Undetermined

(ii) Lawsuits received by LATAM Airlines Group S.A. and Subsidiaries

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
LATAM Airlines Group S.A. y Lan Cargo S.A.	European Commission.	-	Investigation of alleged infringements to free competition of cargo airlines, especially fuel surcharge. On December 26 th , 2007, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the instruction process against twenty five cargo airlines, including Lan Cargo S.A., for alleged breaches of competition in the air cargo market in Europe, especially the alleged fixed fuel surcharge and freight. On November 9 th , 2010, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the imposition of a fine in the amount of ThUS\$ 9,999. This fine is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. We cannot predict the outcome of this appeal process.	On April 14 th , 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011.	9,999
Lan Cargo S.A. y LATAM Airlines Group S.A.	In the High Court of Justice Chancery División (England) Ovre Romerike District Court (Norway) and Directie Juridische Zaken Afdeling Ceveil Recht (Netherlands), Cologne Regional Court (Landgericht Köln Germany).	-	Lawsuits filed against European airlines by users of freight services in private lawsuits as a result of the investigation into alleged breaches of competition of cargo airlines, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A., have been sued in court proceedings directly and/or in third party, based in England, Norway, the Netherlands and Germany.	Cases are in the uncovering evidence stage.	Undetermined

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Aerolinhas Brasileiras S.A.	Administrative Council for Economic Defense, Brazil.	08012.011027/2006-02	Investigation of alleged infringements to competition of cargo airlines, especially fuel surcharge	On the conviction stated over the new administrative appeal, the Administrative Council for Economics Defense (CADE) agreed to reduce the amounts of the fines imposed to ABSA and its executives, as following: (i) ABSA: US\$ 12 million; (ii) Norberto Jochmann: ThUS\$ 246; (iii) Hernan Merino: ThUS\$ 123; (iv) Felipe Meyer: ThUS\$ 123. After internal analysis it was decided not to present new administrative appeals in order to try new reductions on the Court before a cancellation request that will be filed in the beginning of 2015, through the guarantee of the previously mentioned amounts.	12,315
Aerolinhas Brasileiras S.A	Federal Justice.	0001872-58.2014.4.03.6105	Is discussed the collection of court fines and taxes originally imposed and collected through administrative process 10831.005704/2006-43. We obtained adverse decision administratively and are judicially discussing now.	First instance - pending Federal Union statement regarding our request for invalidation of the tax debt.	13,668
LATAM Airlines Group S.A.	Tenth Civil Court of Santiago.	C-32989-2011	Jara and Jara Limited company demanded LATAM Airlines Group S.A. based on the damage they have caused by fraud complaints filed against them in 2008, and were finally dismissed. They claim that the damage caused by LATAM Airlines Group S.A. affected their prestige and business continuity.	The trial is currently in first instance. LATAM Airlines Group S.A. has requested the abandonment of the procedure. The resolution of this incident is pending.	11,935

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Tam Linhas Aéreas S.A.	Court of the Second Region.	2001.51.01.012530-0	Ordinary judicial action brought for the purpose of declaring the nonexistence of legal relationship obligating the company to raise the Air Fund.	Unfavorable court decision in first instance. Currently expecting the ruling of the appeal filed by the company. In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered by US\$ 90 million which is revealed in more detail in Note 20.	111,011
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	16643.000087/2009-36	Notice of Violation to the requirement to pay the Social Contribution on Liquid Profit (CSL).	Decisions of first and second administrative instance adverse to the interests of the company. Currently expecting the result on the new appeal filed by the company are expected.	27,270
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10880.725950/2011-05	Compensation credits of the Social Integration Program (PIS) and Contribution for Social Security Financing (COFINS).	Court decision was unfavorable to the interests of the company, which was appealed. At present, pending the trial of the appeal, the Board of Tax Appeals (CARF).	25,070

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Tam Linhas Aéreas S.A.	6th Rod Treasury of San Pablo.	0012938-14.2013.8.26.0053	Lawsuit filed by the tax authority imputing to TAM the Service Tax on amounts paid to Infraero, according to a change in applicable law.	The application for interlocutory appeal with preliminary injunction was granted, suspending the accrual of tax credits derived from the file infringement n. 66233992, 66234000 and 66234026. On March 10, 2014, the Municipal Government of Sao Paulo presented opposed bill. Currently awaiting trial on the merits of the appeal mentioned.	12,517
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	16643.000085/2009-47	File demanding the recovery of income tax and social contribution on net profits (CSL) derived from royalties and costs of using the TAM brand.	First instance decision was unfavorable to the interests of the company. Currently expecting ruling on the appeal filed by the company on March 15, 2012.	12,069
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10831.012344/2005-55	Auto infringement presented to demand the import tax (II), the Social Integration Program (PIS) Contribution for Social Security Financing (COFINS) arising from the loss of international unidentified cargo.	The trial is currently in the Board of Tax Appeals (CARF).	9,709
Tam Linhas Aéreas S.A.	Department of Finance of the State of Sao Paulo.	3.123.785-0	Infringement notice to demand payment of the tax on the circulation of goods and services (ICMS) regulating the import of aircraft.	Currently awaiting the decision on the appeal filed by the company.	10,081

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Tam Linhas Aéreas S.A.	1st Civil Court of the District of Goiânia/GO.	200702435095 (ordinary)	Lawsuit filed by a former TAM sales representative that requires compensation for moral and material damages resulting from the termination of his contract as sales representative.	Currently undergoing liquidation sentencing and pending term expert witness.	8,909
Aerovías de Integración Regional, AIRES S.A.	United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A.	2013-20319 CA 01	<p>The July 30th , 2012 LAN COLOMBIA AIRLINES initiated a legal process in Colombia against Regional One INC and Volvo Aero Services LLC, to declare that these companies are civilly liable for moral and material damages caused to LAN COLOMBIA AIRLINES arising from breach of contractual obligations of the aircraft HK-4107.</p> <p>The June 20th , 2013 AIRES SA And / Or LAN AIRLINES COLOMBIA was notified of the lawsuit filed in U.S. for Regional One INC and Dash 224 LLC for damages caused by the aircraft HK-4107 arguing failure of LAN COLOMBIA AIRLINES customs duty to obtain import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.</p>	The process in Colombia is pending resolution of preliminary objections filed by the defendant. The Federal Court ruled on March 26 th , 2014 and approved the request from LAN AIRLINES COLOMBIA to suspend the process in the U.S. as the demand in Colombia is underway. Additionally, the U.S. judge closed the case administratively. Regional One appealed this decision to the Federal Court, and in September 2014 the Court ordered the parties to reconcile, process that is currently underway.	12,443

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Tam Linhas Aéreas S.A.	Department of Finance of the State of Rio de Janeiro.	03.431129-0	The State of Rio de Janeiro requires VAT tax credit for the purchase of kerosene (jet fuel). According to a report, the auditor noted that none of the laws of Rio de Janeiro authorizes the appropriation of credit, so the credit was refused and demanded tribute.	Objection was filed on December 12 th , 2013. Currently, waiting for the trial of the first administrative instance.	85,706
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10880.722.355/2014-52	On August 19 th , 2014 the Federal Tax Service issued a notice of violation stating that compensation credits Program (PIS) and the Contribution for the Financing of Social Security COFINS by TAM are not directly related to the activity of air transport.	An administrative objection was filed on September 17 th , 2014. Currently awaiting trial.	169,038
Tam Linhas Aéreas S.A.	Department of Finance of the State of Sao Paulo	4037054-9	On September 20 th , 2014 we were notified that the Department of Finance of the State of São Paulo filed an infringement lawsuit for non-payment of tax on the circulation of goods and services relating to telecommunications services ICMS.	An objection protocol was filed. Currently awaiting trial.	9,750
Tam Linhas Aéreas S.A.	Labor Court of Porto Alegre.	0001611-93.2012.5.04.0013	Civil Action of Ministry of Labor that requires the granting of black shoes, belts and socks for workers who wear uniforms.	Pending the formalization of agreement for the beginning of the concession of shoes to employees. The process will be completed in the coming months.	9,991 Approximate value / estimated
TAM S.A.	Conselho Administrativo de Recursos Fiscais	13855.720077/2014-02	Notice of an alleged infringement presented by Secretaria da Receita Federal do Brasil requiring the payment of IRPJ and CSLL, taxes related to the income earned by TAM on March, 2011, in relation of the reduction of the statute capital of Multiplus S.A.	On January 12, 2014, it was filed an appeal against the object of the notice of infringement. Currently, the company is waiting for the court judgment regarding the appeal filed in the Conselho Administrativo de Recursos Fiscais.	128,125
Aerolinhas Brasileiras S.A.	Labor Court of Campinas.	0010498-37.2014.5.15.0095	Lawsuit filed by the National Union of aeronauts, requiring weekly rest payment (DSR) scheduled stopovers, displacement and moral damage.	Trial in initial stage.	19,963 Approximate value / estimated

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Aerolinhas Brasileiras S.A.	Labor Court of Manaus.	0002037-67.2013.5.11.0016	Lawsuit filed by the Union of Manaus Aeroviaros requiring assignment of hazard to ground workers (AEROVIARIOS).	Process in the initial phase. The value is in the calculation stage by the external auditor.	Undetermined
Aerolinhas Brasileiras S.A.	Labor Court of Campinas	0011014-52.2014.5.15.0129	Lawsuit filed by the Union of Air Service Workers of Campinas requiring assignment of hazard for ABSA workers.	Process in the initial phase. The amounts committed are being calculated by external auditor.	Undetermined
LATAM Airlines Group S.A., Transporte Aéreo S.A., Lan Cargo S.A., Andes Airport Services S.A., Inversiones LAN S.A., Lantours División Servicios Terrestres S.A., Fast Air Almacenes de Carga S.A.	First Labor Court of Santiago.	S-99-2014	Lawsuit filed by the Union of Workers of LAN Airlines S.A. Airport CAMB Pudahuel (Sindicato). Accusation of anti-union practice and declare of a unique employer for labor effects of the defendant.	Judgment on evidence scheduled for January 30th, 2015. In such hearing the trial was finished due to agreement on payment of ThUS\$ 10.	Undetermined

- Governmental Investigations. The investigation by the authorities of Chile and the United States of America continues, related to payments carried out by LATAM Airlines Group S.A. (before called LAN Airlines S.A.) in 2006-2007, to a consultant that advised it in the resolution of labor matters in Argentina. The Company continues cooperating with the respective authorities in the aforementioned investigation. Presently the Company cannot predict the results in the matter; nor estimate or range the potential losses or risks that may eventually come resulting from the way in which this matter is finally resolved.
- In order to deal with any financial obligations arising from legal proceedings in effect at December 31, 2014, whether civil, tax, or labor, LATAM Airlines Group S.A. and Subsidiaries, has made provisions, which are included in Other non-current provisions that are disclosed in Note 20.
- The Company has not disclosed the individual probability of success for each contingency in order to not negatively affect its outcome.

NOTE 31 - COMMITMENTS

(a) Loan covenants

With respect to various loans signed by the Company for the financing of Boeing 767, 777 and 787 aircraft, which carry the guarantee of the United States Export-Import Bank, limits have been set on some of the Company's financial indicators on a consolidated basis. Moreover, and related to these same contracts, restrictions are also in place on the Company's management in terms of its ownership and disposal of assets.

Additionally, with respect to various loans signed by its subsidiary Lan Cargo S.A. for the financing of Boeing 767F and 777F aircraft, which carry the guarantee of the United States Export-Import Bank, restrictions have been established to the Company's management and its subsidiary Lan Cargo S.A. in terms of shareholder composition and disposal of assets.

In connection with the financing of spare engines for its Boeing 767, 767F, 777, 777F, which are guaranteed by the Export - Import Bank of the United States, restrictions have been placed on the ownership structure of their guarantors and their legal successor in case of merger.

The Company and its subsidiaries do not maintain financial credit contracts with banks in Chile that indicate some limits on financial indicators of the Company or its subsidiaries.

At December 31, 2014, the Company is in compliance with all indicators detailed above.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

Lessor	Aircraft	As of December 31, 2014	As of December 31, 2013
ACS Aircraft Finance Bermuda Ltd. - Aircastle	Boeing 737	-	1
Airbus Financial Services	Airbus A340	-	3
Aircraft 76B-26329 Inc.	Boeing 767	1	1
Aircraft 76B-27613 Inc.	Boeing 767	-	1
Aircraft 76B-27615 Inc.	Boeing 767	1	1
Aircraft 76B-28206 Inc.	Boeing 767	1	1
Aviacion Centaurus, A.I.E	Airbus A319	3	3
Aviación Centaurus, A.I.E.	Airbus A321	1	1
Aviación Real A.I.E.	Airbus A319	1	1
Aviación Real A.I.E.	Airbus A320	1	1
Aviación Tritón A.I.E.	Airbus A319	3	3
Avolon Aerospace AOE 19 Limited	Airbus A320	1	1
Avolon Aerospace AOE 20 Limited	Airbus A320	1	1
Avolon Aerospace AOE 6 Limited	Airbus A320	1	1
Avolon Aerospace AOE 62 Limited	Boeing 777	1	1
Avolon Aerospace AOE 63 Limited	Boeing 787	1	1

<u>Lessor</u>	<u>Aircraft</u>	<u>As of December 31, 2014</u>	<u>As of December 31, 2013</u>
AWAS 4839 Trust	Airbus A320	1	1
AWAS 5125 Trust	Airbus A320	1	1
AWAS 5178 Limited	Airbus A320	1	1
AWAS 5234 Trust	Airbus A320	1	1
Baker & Spice Aviation Limited	Airbus A320	2	2
BOC Aviation Pte. Ltd.	Airbus A320	1	1
CIT Aerospace International	Boeing 767	-	1
CIT Aerospace International	Airbus A319	-	1
CIT Aerospace International	Airbus A320	2	4
Continuity Air Finance IV B.V	Airbus A319	-	1
Delaware Trust Company, National Association	Bombardier Dhc8-200	5	7
Eden Irish Aircr Leasing MSN 1459	Airbus A320	1	1
GECAS Sverige Aircraft Leasing Worldwide AB	Airbus A320	6	10
GECAS Sverige Aircraft Leasing Worldwide AB	Airbus A330	-	2
GFL Aircraft Leasing Netherlands B.V.	Airbus A320	1	1
International Lease Finance Corporation	Boeing 737	-	1
International Lease Finance Corporation	Boeing 767	1	1
International Lease Finance Corporation	Airbus A320	-	1
KN Operating Limited (NAC)	Bombardier Dhc8-400	-	3
Magix Airlease limited	Airbus A320	2	-
MASL Sweden (1) AB	Airbus A320	1	1
MASL Sweden (2) AB	Airbus A320	1	1
MASL Sweden (7) AB	Airbus A320	1	1
MASL Sweden (8) AB	Airbus A320	1	1
MCAP Europe Limited - Mitsubishi	Boeing 737	-	1
Orix Aviation Systems Limited	Airbus A320	2	3
Pembroke B737-7006 Leasing Limited	Boeing 737	-	2
RBS Aerospace Limited	Airbus A320	6	6
SASOF II (J) Aviation Ireland Limited	Airbus A319	1	-
SKY HIGH V LEASING COMPANY LIMITED	Airbus A320	1	1
Sky High XXIV Leasing Company Limited	Airbus A320	5	3
Sky High XXV Leasing Company Limited	Airbus A320	2	2
SMBC Aviation Capital Limited	Airbus A320	2	-
SMBC Aviation Capital Limited	Airbus A321	2	-
Sunflower Aircraft Leasing Limited	Airbus A320	2	2
TC-CIT Aviation Ireland Limited	Airbus A320	1	-
Volito Aviation August 2007 AB	Airbus A320	2	2
Volito Aviation November 2006 AB	Airbus A320	2	2
Volito Brasilien AB	Airbus A319	-	1
Volito November 2006 AB	Airbus A320	2	2
Wells Fargo Bank North National Association	Airbus A319	3	4
Wells Fargo Bank North National Association	Airbus A320	2	2
Wells Fargo Bank Northwest National Association	Airbus A320	6	7
Wells Fargo Bank Northwest National Association	Airbus A330	5	10
Wells Fargo Bank Northwest National Association	Boeing 787	3	4
Wells Fargo Bank Northwest National Association	Boeing 777	7	3
Wells Fargo Bank Northwest National Association	Boeing 787	3	1
Wilmington Trust Company	Airbus A319	1	1
Yamasa Singapore Pte. Ltd.	Airbus A340	-	1
Zipdell Limited	Airbus A320	1	1
Total		107	128

The rentals are shown in results for the period for which they are incurred.

The minimum future lease payments not yet payable are the following:

	As of December 31, <u>2014</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$
No later than one year	511,624	475,762
Between one and five years	1,202,440	1,101,741
Over five years	441,419	335,019
Total	<u>2,155,483</u>	<u>1,912,522</u>

The minimum lease payments charged to income are the following:

	For the periods ended December 31,	
	<u>2014</u> ThUS\$	<u>2013</u> ThUS\$
Minimum operating lease payments	521,384	441,077
Total	<u>521,384</u>	<u>441,077</u>

In the first quarter of 2013, returned an Airbus A320-200, while during the second quarter of 2013 two Airbus A319-100, one Airbus A320-200 and one Bombardier Dhc8-200 were returned as their leasing contracts had ended. During June 2013 the contracts system applied to ten Airbus A330-200 aircraft were changed from financial leasing to operative leasing, with each aircraft being leased for a period of forty months. During the third quarter of 2013, two Airbus A320-200 aircraft were leased for a period of 8 years each, one Boeing 787-800 aircraft was leased for a period of 12 years and two Boeing 777-300ER aircraft were leased for a period of 5 years each. Moreover, one Airbus A320-200, two Boeing 767-300ER aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, during July of 2013 two Bombardier Dhc8-200 aircraft were acquired on leasing. In the fourth quarter of 2013, three Airbus A320-200 aircraft were leased for a period of eight years each, one Boeing 787-800 aircraft was leased for a period of twelve years. Moreover, two Airbus A320-200, one Airbus A319-100, one Airbus A340-300 and one Boeing 737-700 aircraft were returned.

During the first quarter of 2014, two Airbus A320-200 aircraft were acquired and two Airbus A321-200 aircraft were leased for a period of 8 years each. Moreover, two Boeing 737-700 aircraft, one Boeing B767-300F aircraft, one Boeing 767-300F aircraft, one Airbus A340-300 aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, as a result of its sale and subsequent lease, during March 2014 four Boeing 777-300ER aircraft were added as operative leasing, with each aircraft being leased for periods between four and six years each.

During the second quarter of 2014, were added one Airbus A320-200 aircraft and one Boeing 787-800 aircraft by leasing them for a period of 8 and 12 years, respectively. For other hand, one Bombardier Dhc8-400 aircraft, four Airbus A320-200 aircraft, seven Airbus A330-200 aircraft and three Boeing 737-700 aircraft were returned.

In the third quarter of 2014, were added one Airbus A320-200 aircraft and one Boeing 787-800 aircraft by leasing them for a period of 8 and 12 years, respectively. For other hand, one Bombardier Dhc8-400 aircraft, two Airbus A319-100 aircraft and one Boeing 767-300ER aircraft were returned.

In the fourth quarter of 2014, two Airbus A320-200 aircraft and one Boeing 767-300ER aircraft were returned. For other hand, three A340-300 aircraft and one A319-100 aircraft were bought. Additionally it was reported that the purchase option will be exercised by 2 Bombardier Dhc8-200 aircraft. Therefore, these aircraft were reclassified to the category Property, plant and equipment.

The operating lease agreements signed by the Company and its subsidiaries state that maintenance of the aircraft should be done according to the manufacturer's technical instructions and within the margins agreed in the leasing agreements, a cost that must be assumed by the lessee. The lessee should also contract insurance for each aircraft to cover associated risks and the amounts of these assets. Regarding rental payments, these are unrestricted and may not be netted against other accounts receivable or payable between the lessor and lessee.

At December 31, 2014 the Company has existing letters of credit related to operating leasing as follows:

<u>Creditor Guarantee</u>	<u>Debtor</u>	<u>Type</u>	<u>Value</u> <u>ThUS\$</u>	<u>Release</u> <u>date</u>
AFS Investments 48 LLC.	Lan Cargo S.A.	Two letter of credit	3,500	Apr 25, 2015
GE Capital Aviation Services Limited	LATAM Airlines Group S.A.	Six letter of credit	23,456	Jun 30, 2015
GE Capital Aviation Services Limited	Lan Cargo S.A.	Three letter of credit	10,435	Jun 30, 2015
International Lease Finance Corp	LATAM Airlines Group S.A.	Four letter of credit	1,700	Oct 13, 2015
ORIX Aviation System Limited	LATAM Airlines Group S.A.	One letter of credit	3,255	Jul 31, 2015
TAF Mercury	LATAM Airlines Group S.A.	One letter of credit	4,000	Dec 4, 2015
TAF Venus	LATAM Airlines Group S.A.	One letter of credit	4,000	Dec 4, 2015
Wells Fargo Bank Northwest, National Association	Lan Cargo S.A.	Four letter of credit	10,060	Apr 25, 2015
Baker & Spice Aviation Limited	Tam Linhas Aéreas S.A.	One letter of credit	19,580	Apr 13, 2015
Cit Aerospace International	Tam Linhas Aéreas S.A.	Five letter of credit	22,995	Jan 5, 2015
MACQUARIE	Tam Linhas Aéreas S.A.	Three letter of credit	2,124	May 4, 2015
Royal Bank Of scotland Aerospace	Tam Linhas Aéreas S.A.	One letter of credit	8,939	Jul 13, 2015
SMBC Aviation Capital Ltd.	Tam Linhas Aéreas S.A.	Two letter of credit	18,532	Feb 23, 2015
Wells Fargo Bank Northwest, National Association	Tam Linhas Aéreas S.A.	Two letter of credit	6,000	Mar 28, 2015
Wilmington	Tam Linhas Aéreas S.A.	One letter of credit	5,738	Jan 31, 2015
			<u>144,314</u>	

(c) Other commitments

At December 31, 2014 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

<u>Creditor Guarantee</u>	<u>Debtor</u>	<u>Type</u>	<u>Value ThUS\$</u>	<u>Release date</u>
Aena Aeropuertos S.A.	LATAM Airlines Group S.A.	Four letter of credit	2,373	Nov 15, 2015
American Alternative Insurance Corporation	LATAM Airlines Group S.A.	Four letter of credit	3,140	Apr 5, 2015
BBVA	LATAM Airlines Group S.A.	One letter of credit	24,315	Aug 3, 2015
Citibank N.A.	LATAM Airlines Group S.A.	One letter of credit	6,825	Dec 20, 2015
Comisión Europea	LATAM Airlines Group S.A.	One letter of credit	10,254	Feb 11, 2015
Deutsche Bank A.G.	LATAM Airlines Group S.A.	Three letter of credit	40,000	Mar 31, 2015
Dirección General de Aeronáutica Civil	LATAM Airlines Group S.A.	Sixty seven letter of credit	17,703	Jan 31, 2015
Dirección Nacional de Aduanas	LATAM Airlines Group S.A.	Three letter of credit	1,210	Jun 28, 2015
Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador	LATAM Airlines Group S.A.	One letter of credit	5,500	Jun 18, 2015
Metropolitan Dade County	LATAM Airlines Group S.A.	Five letter of credit	1,675	May 31, 2015
The Royal Bank of Scotland plc	LATAM Airlines Group S.A.	Two letter of credit	28,000	May 20, 2015
Washington International Insurance	LATAM Airlines Group S.A.	Two letter of credit	2,100	Apr 5, 2015
Wells Fargo Bank	LATAM Airlines Group S.A.	Four letter of credit	5,160	Mar 13, 2015
Westpac Banking Corporation	LATAM Airlines Group S.A.	One letter of credit	1,046	Apr 4, 2015
6ª Vara de Execuções Fiscais Federal de Campo Grande/MS	Tam Linhas Aéreas S.A. (Pantanal)	Two insurance policies guarantee	28,522	Jan 4, 2016
8 Vara da Fazenda Pública da Comarca de São Paulo	Tam Linhas Aéreas S.A. (Pantanal)	One insurance policies guarantee	13,834	Apr 12, 2015
Fundação de Proteção e Defesa do Consumidor Procon	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,651	May 16, 2016
Vara da Fazenda Pública da Comarca de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	2,943	Mar 29, 2016
Vara De Execuções Fiscais Estaduais de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	13,839	Apr 16, 2015
			<u>210,090</u>	

NOTE 32 - TRANSACTIONS WITH RELATED PARTIES

(a) Details of transactions with related parties as follows:

Tax No.	Related party	Nature of relationship with related parties	Country of origin	Explanation of other information about related parties	Nature of related parties transactions	Currency	Transaction amount with related parties As of December 31,	
							2014	2013
							ThUS\$	ThUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	Investments	Revenue from services provided	CLP	31	17
96.847.880-K	Lufthansa Lan Technical Training	Associate	Chile	Training center	Leases as lessor	CLP	209	253
					Services received	CLP	(785)	(1,186)
					Services received	US\$	(743)	(1,146)
78.591.370-1	Bethia S.A and subsidiaries	Other related parties	Chile	Investments	Leases as lessor	CLP	(3)	(6)
					Revenue from services provided	CLP	7	2,726
					Services received	CLP	(1,156)	(883)
					Settlement of Property plant and equipment (1)	CLP	-	14,217
					Commitments made on behalf of the entity	CLP	-	(84)
79.773.440-3	Transportes San Felipe S.A	Other related parties	Chile	Transport	Revenue from services provided	CLP	26	17
					Services received	CLP	(70)	(142)
					Commitments made on behalf of the entity	CLP	-	(84)
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Pisciculture	Revenue from services provided	CLP	155	231
65.216.000-K	Comunidad Mujer	Other related parties	Chile	Promotion and training of women	Revenue from services provided	CLP	9	10
					Services received	CLP	(11)	(11)
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Revenue from services provided	ARS	12	9
					Leases as lessor	US\$	(334)	(358)
Foreign	Made In Everywhere							
Foreign	Repr. Com. Distr. Ltda.	Other related parties	Brazil	Transport	Services received	BRL	(2)	-
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Other related parties	Brazil	Transport	Revenue from services provided	BRL	-	485
					Services received	BRL	(12)	-
					Commitments made on behalf of the entity	BRL	-	(17)
Foreign	Prismah Fidelidade S.A.	Joint Venture	Brazil	Marketing	Liabilities settlement on behalf of the entity for the related party	BRL	(119)	(499)
Foreign	Jochmann Participacoes Ltda.	Other related parties	Brazil	Transport	Services received	BRL	-	(27)

On December 28, 2012, Inmobiliaria Aeronáutica S.A. as seller and Sotraser S.A. (Subsidiary of Bethia S.A.) as purchaser, entered into an agreement to purchase the land called "Lot No. 12 of parcellation project Lo Echevers". The value of the sale amounts to ThUS\$ 14,217. On December 31, 2013, this balance is paid.

The balances of Accounts receivable and accounts payable to related parties are disclosed in Note 9.

Transactions between related parties have been carried out on free-trade conditions between interested and duly-informed parties.

(b) Compensation of key management

The Company has defined for these purposes that key management personnel are the executives who define the Company's policies and major guidelines and who directly affect the results of the business, considering the levels of Vice-Presidents, Chief Executives and Directors.

	For the periods ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
	ThUS\$	ThUS\$
Remuneration	19,507	15,148
Management fees	1,213	368
Non-monetary benefits	990	565
Short-term benefits	-	22,400
Share-based payments	16,086	17,709
Total	<u>37,796</u>	<u>56,190</u>

NOTE 33 - SHARE-BASED PAYMENTS

(a) Compensation plan for increase of capital in LATAM Airlines Group S.A.

Compensation plans implemented by providing options for the subscription and payment of shares that have been granted by LATAM Airlines Group S.A. to employees of the Company and its subsidiaries, are recognized in the financial statements in accordance with the provisions of IFRS 2 "Share-based Payment", showing the effect of the fair value of the options granted under compensation in linear between the date of grant of such options and the date on which these irrevocable.

(a.1) Compensation plan 2011

At a Special Shareholders Meeting held on December 21, 2011, the Company's shareholders approved, among other matters, an increase of capital of which 4,800,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, pursuant to Article 24 of the Companies Law. In this compensation plan no member of the controlling group would be benefited. The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions

shown in the following schedule of accrual and is related to the permanence condition of the executive as employee of the Company at these dates for the exercise of the options:

<u>Percentage</u>	<u>Period</u>		<u>Number of share options</u>
30%	From December 21, 2014 and until December 21, 2016.		
30%	From December 21, 2015 and until December 21, 2016.		
40%	From June 21, 2016 and until December 21, 2016.		
	Share options in agreements of share- based payments, as of January 1, 2013		-
	Share options granted		4,497,000
	Share options in agreements of share- based payments, as of December 31, 2013		4,497,000
	Share options in agreements of share- based payments, as of January 1, 2014		4,497,000
	Share options granted		160,000
	Share options cancelled		(455,000)
	Share options in agreements of share- based payments, as of December 31, 2014		4,202,000

These options have been valued and recorded at fair value at the grant date, determined by the "Black-Scholes-Merton". The effect on income to September 2014 corresponds to ThUS\$ 15,895 (ThUS\$ 17,200 at December 31, 2013).

The input data of option pricing model used for share options granted are as follows:

	<u>Weighted average share price</u>	<u>Exercise price</u>	<u>Expected volatility</u>	<u>Life of option</u>	<u>Dividends expected</u>	<u>Risk-free interest</u>
As of December 31, 2013	US\$ 23.55	US\$ 24.97	61.52%	3.6 years	0%	0.00550
As of December 31, 2014	US\$ 15.47	US\$ 18.29	34.74%	3.6 years	0%	0.00696

(a.2) Compensation plan 2013

At the Extraordinary Shareholders' Meeting held on June 11, 2013, the Company's shareholders approved motions including increasing corporate equity, of which 1,500,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, in conformity with the stipulations established in Article 24 of the Corporations Law. Regard to this compensation plan, not exist yet a defined date for implementation. The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions shown in the following schedule of accrual and is related to the permanence condition of the executive at these dates for the exercise of the options:

<u>Percentage</u>	<u>Period</u>
100%	From November 15, 2017 and until June 11, 2018.

(b) Subsidiaries compensation plans

TAM Linhas Aereas S.A. and Multiplus S.A., both subsidiaries of TAM S.A., have outstanding stock options at December 31, 2014, which amounted to 96,675 shares and 637,400 shares, respectively.

TAM Linhas Aéreas S.A.

Description	4th Grant	Total
Date	05-28-2010	
Outstanding option number	96,675	96,675

Multiplus S.A.

Description	1st Grant	3rd Grant	4th Grant	4th Extraordinary Grant	Total
Date	10-04-2010	04-16-2012	10-04-2010	11-20-2013	
Outstanding option number	7,760	129,371	294,694	205,575	637,400

The Options of TAM Linhas Aéreas S.A., under the plan's terms, are divided into three equal parts and employees can run a third of its options after three, four and five years respectively, as long as they remain employees of the company. The agreed term of the options is seven years.

For Multiplus S.A., the plan's terms provide that the options granted to the usual prizes are divided into three equal parts and employees may exercise one-third of their two, three and four, options respectively, as long as they keep being employees of the company. The agreed term of the options is seven years after the grant of the option. The first extraordinary granting was divided into two equal parts, and only half of the options may be exercised after three years and half after four years. The second extraordinary granting was also divided into two equal parts, which may be exercised after one and two years respectively.

Both companies have an option that contains a "service condition" in which the exercise of options depends exclusively on the delivery services by employees during a predetermined period. Terminated employees will be required to meet certain preconditions in order to maintain their right to the options.

The acquisition of the share's rights, in both companies is as follows:

Company	Number of shares Accrued options	Number of shares Non accrued options
TAM Linhas Aéreas S.A.	-	96,675
Multiplus S.A.	-	637,400

In accordance with IFRS 2 - Share-based payments, the fair value of the option must be recalculated and recorded as a liability of the Company once payment is made in cash (cash-settled). The fair value of these options was calculated using the Black-Scholes method, where the cases were updated with information LATAM Airlines Group S.A.. Not exist value recorded in liabilities at December 31, 2014 and in income ThUS\$ 191 (at December 31, 2013 the amount recognized in liabilities was ThUS\$ 1,493 and ThUS\$ 509 in incomes).

NOTE 34 - THE ENVIRONMENT

LATAM Airlines Group S.A. manages environmental issues at the corporate, centralized in Environmental Management. To monitor the company and minimize their impact on the environment is a commitment to the highest level, where continuous improvement and contribute to the solution of the problem of global climate change, generating added value to the company and the region, are the pillars of his administration.

One function of Environmental Management, in conjunction with the various areas of the Company, is to ensure environmental compliance, implementing a management system and environmental programs that meet the increasingly demanding requirements globally; well as continuous improvement programs in their internal processes that generate environmental and economic benefits and to join the currently completed.

The Environment Strategy LATAM Airlines Group S.A. is based on the following objectives:

- Minimize the impact of its operations by using a modern fleet, efficient operational management and continuous incorporation of new technologies.
- Promote the efficient use of resources and minimization of waste in all processes.
- Manage responsibly our carbon footprint by measuring, monitoring and reducing emissions.
- Promote the development and use of alternative energy more efficient and less environmental impact.

For 2014, we have established four priority areas of work to develop:

1. Advance in the implementation of an Environmental Management System;
2. Manage the Carbon Footprint by measuring, external verification and compensation of our emissions by ground operations;
3. Development of environmental projects based on renewable energy.
4. Establishment of corporate strategy to meet the global target of aviation to have a carbon neutral growth by 2020.

Thus, during the first half of the year, we have worked in the following initiatives:

- Advance in the implementation of an Environmental Management System for main operations, with an emphasis on Santiago, Miami (USA) y San Carlos (Brasil). In addition to continuing with the process of certification of IATA Environmental Assessment (IEnvA).
- Preparation of the environmental chapter for reporting sustainability of the Company, to measure progress on environmental issues.
- The preparation of the first report supporting environmental management of the Company.
- Measurement and external verification of the Corporate Carbon Footprint.

As achievement this year, LATAM Airlines Group was selected in the Dow Jones Sustainability index, in global category, emerging as a leader in the global aviation industry its strategy on Climate Change and its efficient operation (Eco-Efficiency).

At December 31, 2014 the Environment Management has spent US\$370,159 (US\$ 478,445 at December 31, 2013).

NOTE 35 – EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

Subsequent to the closing date of the annual financial statements, at December 31, 2014, has occurred an important variation in the exchange rate R\$/US\$, from R\$ 2.66 per US\$ to R\$ 3.27 per US\$ at March 17, 2015, which represents a 23% depreciation of the Brazilian currency.

At the date of issuance of these financial statements, given the complexity of this matter, the administration has not yet concluded the analysis and determination of the financial effects of this situation.

LATAM Airlines Group S.A. and Subsidiaries' consolidated financial statements as at December 31, 2014, have been approved by the Board of Director's in an extraordinary meeting held on March 17, 2015.

Information about Subsidiaries and Affiliated Companies

LATAM Airlines Group S.A.

Name: LATAM Airlines Group S.A.

Chilean Tax N° (RUT): 89.862.200-2

Incorporation: Established as a limited liability company by public deed of 30 December 1983, extended by Public Notary Eduardo Avello Arellano, an extract of which was recorded at Folio 20,341 N° 11,248 of 1983 of the Santiago Business Register and published in the Official Gazette of 31 December 1983.

By public deed of 20 August 1985, extended by Public Notary Miguel Garay Figueroa, the company became a joint stock company under the name of Línea Aérea Nacional de Chile S.A. (now LATAM Airlines Group S.A.). As regards aeronautical and radio communication concessions, traffic rights and other administrative concessions, this company was expressly designated by Law N°18.400 as the legal continuation of the state company created in 1929 under the name of Línea Aérea Nacional de Chile.

The Extraordinary Shareholders' Meeting of LAN Chile S.A. held on 23 July 2004 agreed to change the company's name to "LAN Airlines S.A.". An extract of the public deed corresponding to the

Meeting's minutes was recorded on the Business Register of the Real Estate Registry Office at Folio 25,128 N° 18,764 of 2004 and was published in the Official Gazette of 21 August 2004. The change of name came into force on 8 September 2004.

The Extraordinary Shareholders' Meeting of LAN Airlines S.A. held on 21 December 2011 agreed to change the company's name to "LATAM Airlines Group S.A." An extract of the public deed corresponding to the Meeting's minutes was recorded on the Business Register of the Real Estate Registry Office at Folio 4,238 N° 2,921 of 2012 and was published in the Official Gazette of 14 January 2012. The change of name came into force on 22 June 2012.

LATAM Airlines Group S.A. is subject to the regulation applicable to listed joint stock companies and is registered with the Superintendencia de Valores y Seguros (SVS), Chile's stock market regulator, under Inscription N° 0306 of 22 January 1987.

Note: The financial information about subsidiaries presented below has been summarized. Their complete financial statements are available to the public at our offices and at the Superintendencia de Valores y Seguros (SVS).

TAM S.A.

Incorporation: Joint stock company established in Brazil in May 1997.

Purpose: To participate as a shareholder in other companies, especially companies that provide regular domestic and international air transport services and other activities associated, related and complementary to regular air transport.

Subscribed and paid-in capital:	ThUS\$2,304,021
Net income:	ThUS\$210,521
Stake:	100.00%
% of consolidated assets:	4.92%

Board of Directors

Chairman:	Mauricio Rolim Amaro
Directors:	Henri Philippe Reichstul Noemy Almeida Oliveira Amaro Flávia Turci Enrique Cueto Plaza Ignacio Cueto Plaza

Subsidiaries of TAM S.A. and stakes:

- TAM Linhas Aereas S.A. and subsidiaries	100.00%
- Aerolinhas Brasileiras S.A. and subsidiary	100.00%
- Multiplus S.A.	72.74%
- Transportes Aéreos del Mercosur S.A.	94.98%
- Corsair Participações Ltda.	100.00%
- TP Franchising Limited	100.00%

TAM S.A.

	As of 31 December 2014 ThUS\$	As of 31 December 2013 ThUS\$
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	1,920,909	2,370,275
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	<u>407</u>	<u>1,772</u>
Total current assets	1,921,316	2,372,047
Total non-current assets	<u>4,896,382</u>	<u>6,323,411</u>
TOTAL ASSETS	<u>6,817,698</u>	<u>8,695,458</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	2,279,110	3,249,581
Total non-current liabilities	<u>3,530,419</u>	<u>4,734,090</u>
Total liabilities	<u>5,809,529</u>	<u>7,983,671</u>
EQUITY		
Equity attributable to controller's owners	912,639	617,039
Non-controlling interest	<u>95,530</u>	<u>94,748</u>
Total equity	<u>1,008,169</u>	<u>711,787</u>
TOTAL LIABILITIES AND EQUITY	<u>6,817,698</u>	<u>8,695,458</u>

	For the period from 1 January to 31 December 2014 ThUS\$	For the period from 1 January to 31 December 2013 ThUS\$
Consolidated Statement of Income by Function		
Revenues from ordinary activities	6,588,741	6,791,104
Gross income	1,238,846	1,302,493
Profit (loss) before tax	356,613	(483,311)
Income tax expenses	<u>(146,092)</u>	<u>54,820</u>
PROFIT (LOSS) OF THE PERIOD	<u>210,521</u>	<u>(428,491)</u>
Profit (loss) of the period attributable to:		
Controller's owners	171,655	(458,475)
Non-controlling interest	<u>38,866</u>	<u>29,984</u>
Profit (loss) of the period	<u>210,521</u>	<u>(428,491)</u>

Consolidated Statement of Comprehensive Income	For the period from 1 January to 31 December 2014 ThUS\$	For the period from 1 January to 31 December 2013 ThUS\$
PROFIT (LOSS) OF THE PERIOD	210,521	(428,491)
Other comprehensive income	<u>(10,841)</u>	<u>(23,006)</u>
Total comprehensive income	<u>199,680</u>	<u>(451,497)</u>
Total comprehensive income attributable to:		
Controller's owners	161,306	(468,760)
Non-controlling interest	<u>38,374</u>	<u>17,263</u>
TOTAL COMPREHENSIVE INCOME	<u>199,680</u>	<u>(451,497)</u>

Statement of Changes in Equity	Equity attributable to controller's owners ThUS\$	Non-controlling interest ThUS\$	Total equity ThUS\$
Equity as of 1 January 2013	(480,634)	103,033	(377,601)
Total comprehensive income	(468,760)	17,263	(451,497)
Issue of equity	1,650,000	-	1,650,000
Dividends	-	(26,070)	(26,070)
Other increases (decreases) in equity	<u>(83,567)</u>	<u>522</u>	<u>(83,045)</u>
Closing balance at 31 December 2013	<u>617,039</u>	<u>94,748</u>	<u>711,787</u>
Equity as of 1 January 2014	617,039	94,748	711,787
Total comprehensive income	45,600	38,374	83,974
Issue of equity	250,000	-	250,000
Dividends	-	(34,962)	(34,962)
Other increases (decreases) in equity	<u>-</u>	<u>(2,630)</u>	<u>(2,630)</u>
Closing balance at 31 December 2014	<u>912,639</u>	<u>95,530</u>	<u>1,008,169</u>

Consolidated Statement of Cash Flow – Direct Method	For the period from 1 January to 31 December 2014 ThUS\$	For the period from 1 January to 31 December 2013 ThUS\$
Net cash flows from (used in) operating activities	339,699	127,832
Net cash flows from (used in) investment activities	65,690	(1,056,225)
Net cash flows from (used in) financing activities	<u>(575,519)</u>	<u>977,123</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange-rate variations	(170,130)	48,730
Effect of exchange-rate variation on cash and cash equivalents	(62,433)	(1,078)
Cash and cash equivalents at end of period	135,805	368,368

LAN Cargo S.A.

Incorporation: Established as a closed joint stock company by public deed of 22 May 1970, extended by Public Notary Sergio Rodríguez Garcés, with the assets and liabilities of the Línea Aérea del Cobre Limitada (Ladeco Limitada) which had been established by public deed of 3 September 1958, extended by Public Notary Jaime García Palazuelos. The company's bylaws have since been amended on a number of occasions, most recently by public deed of 20 November 1998, an extract of which was recorded at Folio 30,091 N° 24,117 of the Santiago Business Register and published in the Official Gazette of 3 December 1998, under which Ladeco S.A. merged through incorporation with Fast Air Carrier S.A., a subsidiary of LAN Chile S.A.

Under public deed of 22 October 2001 corresponding to the minutes of the Extraordinary Shareholders' Meeting of Ladeco S.A. held on the same date, its name was changed to "LAN Chile Cargo S.A.". An extract of this deed was recorded on the Business Register of the Santiago Real Estate Registry Office at Folio 27,746 N° 22,624 of 2001 and was published in the Official Gazette of 5 November 2001. The change of name came into force on 10 December 2001.

Under public deed of 23 August 2004 corresponding to the minutes of the Extraordinary Shareholders' Meeting of LAN Chile Cargo S.A. held on 17 August 2004, its name was changed to "LAN Cargo S.A." An extract of this deed was recorded on the Business Register of the Santiago Real Estate Registry Office at Folio 26,994 N° 20,082 of 2004 and was published in the Official Gazette of 30 August 2004.

Purpose: To engage in and develop, on its own account or on behalf of others, the following activities: transport in general in any of its forms and, in particular, the air transport of passengers, cargo and mail within and outside Chile; tourism, hotel and other complementary activities in any of their forms within and outside Chile; the purchase, sale, manufacture and/or assembly, maintenance, renting or any other form of use of aircraft, spare parts and aeronautical equipment, either on its own account or on behalf of third parties, and their exploitation on any account; the provision of all types of services and consultancy related to transport in general and, in particular, to air transport in particular, in any of their forms whether consisting of ground support, maintenance, technical or any other type of consultancy, within and outside Chile, and all types of activities and services related to tourism, hotels and the other activities and goods referred to above, within and outside Chile. In pursuit of these objectives, the Company may make investments or become a partner in other companies by acquiring shares or rights or interests in any other type of association, whether existing or formed in the future, and may in general perform all the acts and enter into all contracts necessary and pertinent to fulfill the above objectives.

Subscribed and paid-in capital:	ThUS\$83,226
Net income:	ThUS\$(103,587)
Stake:	99.8980%
% of consolidated assets:	2.22%

Board of Directors

Chairman:	Juan José Cueto Plaza
Directors:	Enrique Cueto Plaza
	Andrés Osorio Hermansen
	Ignacio Cueto Plaza
	Ramón Eblen Kadis

Subsidiaries of LAN Cargo S.A. and stakes:

- Laser Cargo S.R.L.	99.99%
- Aircraft Internacional Leasing Limited	99.98%
- Ediciones Ladeco América S.A.	100.00%
- Ladeco Cargo S.A.	99.00%
- Fast Air Almacenes de Carga S.A.	99.89%
- Prime Airport Services Inc. and subsidiary	100.00%
- Lan Cargo Overseas Limited and subsidiaries	100.00%
- Transporte Aéreo S.A.	99.99%
- Consorcio Fast Air Almacenes de Carga S.A. - Laser Cargo S.R.L. Unión Transitoria de Empresas	100.00%
- Lan Cargo Inversiones S.A. and subsidiary	100.00%
- Connecta Corporation	100.00%

LAN CARGO S.A.
(Closed joint stock company)

	As of 31 December 2014 ThUS\$	As of 31 December 2013 ThUS\$
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	311,741	315,616
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	<u>85</u>	<u>85</u>
Total current assets	311,826	315,701
Total non-current assets	<u>550,576</u>	<u>757,942</u>
TOTAL ASSETS	<u>862,402</u>	<u>1,073,643</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	186,789	214,272
Total non-current liabilities	<u>219,470</u>	<u>279,531</u>
Total liabilities	<u>406,259</u>	<u>493,803</u>
EQUITY		
Equity attributable to controller's owners	455,700	577,948
Non-controlling interest	<u>443</u>	<u>1,892</u>
Total equity	<u>456,143</u>	<u>579,840</u>
TOTAL LIABILITIES AND EQUITY	<u>862,402</u>	<u>1,073,643</u>

	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Consolidated Statement of Income by Function		
Revenues from ordinary activities	912,792	1,328,571
Gross income	(141,480)	24,462
Profit (loss) before tax	(106,717)	112,075
Income tax expenses	<u>3,130</u>	<u>(5,697)</u>
PROFIT (LOSS) OF THE PERIOD	<u>(103,587)</u>	<u>106,378</u>
Profit (loss) of the period attributable to:		
Controller's owners	(103,285)	108,611
Non-controlling interest	<u>(302)</u>	<u>(2,233)</u>
Profit (loss) of the period	<u>(103,587)</u>	<u>106,378</u>

Consolidated Statement of Comprehensive Income	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
PROFIT (LOSS) OF THE PERIOD	(103,587)	106,378
Other comprehensive income	<u>(1,732)</u>	<u>(837)</u>
Total comprehensive income	<u>(105,319)</u>	<u>105,541</u>
Total comprehensive income attributable to:		
Controller's owners	(105,017)	107,775
Non-controlling interest	<u>(302)</u>	<u>(2,234)</u>
TOTAL COMPREHENSIVE INCOME	<u>(105,319)</u>	<u>105,541</u>

Statement of Changes in Equity	Equity attributable to controller's owners ThUS\$	Non-controlling interest ThUS\$	Total equity ThUS\$
Equity as of 1 January 2013	447,027	5,009	452,036
Total comprehensive income	107,775	(2,234)	105,541
Other increases (decreases) in equity	<u>23,146</u>	<u>(883)</u>	<u>22,263</u>
Closing balance at 31 December 2013	<u>577,948</u>	<u>1,892</u>	<u>579,840</u>
Equity as of 1 January 2014	577,948	1,892	579,840
Total comprehensive income	(105,017)	(303)	(105,320)
Other increases (decreases) in equity	<u>(17,231)</u>	<u>(1,146)</u>	<u>(18,377)</u>
Closing balance at 31 December 2014	<u>455,700</u>	<u>443</u>	<u>456,143</u>

Consolidated Statement of Cash Flow – Direct Method	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Net cash flows from (used in) operating activities	40,582	(101,453)
Net cash flows from (used in) investment activities	526,442	181,521
Net cash flows from (used in) financing activities	<u>(567,098)</u>	<u>(72,667)</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange-rate variations	(374)	7,401
Effect of exchange-rate variation on cash and cash equivalents	(2)	149
Cash and cash equivalents at end of period	19,862	20,238

Lan Perú S.A.

Incorporation: Joint stock company established in Peru on 14 February 1997.

Purpose: To provide passenger, cargo and mail air transport services domestically and internationally in accordance with civil aviation laws.

Subscribed and paid-in capital:	ThUS\$4,341
Net income:	ThUS\$1,058
Stake:	70.00%
% of consolidated assets:	0.05%

Board of Directors

Chairman:	Emilio Rodríguez Larraín Salinas
Directors:	Enrique Cueto Plaza
	Ignacio Cueto Plaza
	Armando Valdivieso Montes
	Jorge Harten Costa
	Alejandro García Vargas
	Luis Enrique Gálvez de la Puente

LAN PERÚ S.A.
(Closed joint stock company)

	As of 31 December 2014 ThUS\$	As of 31 December 2013 ThUS\$
Statement of Financial Position		
ASSETS		
Total current assets	214,245	237,577
Total non-current assets	<u>25,225</u>	<u>25,939</u>
TOTAL ASSETS	<u>239,470</u>	<u>263,516</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	226,784	250,699
Total non-current liabilities	<u>1,611</u>	<u>1,410</u>
Total liabilities	<u>228,395</u>	<u>252,109</u>
EQUITY		
Equity attributable to controller's owners	11,075	11,407
Non-controlling interest	<u>-</u>	<u>-</u>
Total equity	<u>11,075</u>	<u>11,407</u>
TOTAL LIABILITIES AND EQUITY	<u>239,470</u>	<u>263,516</u>

	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Consolidated Statement of Income by Function		
Revenues from ordinary activities	1,134,289	1,173,391
Gross income	142,420	154,146
Profit (loss) before tax	4,636	5,059
Income tax expenses	<u>(3,578)</u>	<u>(1,304)</u>
PROFIT (LOSS) OF THE PERIOD	<u>1,058</u>	<u>3,755</u>

Statement of Changes in Equity	Equity issued ThUS\$	Legal reserve ThUS\$	Retained earnings ThUS\$	Total equity ThUS\$
Equity as of 1 January 2013	4,341	868	3,833	9,042
Total comprehensive income	-	-	3,755	3,755
Other increases (decreases) in equity	-	-	<u>(1,390)</u>	<u>(1,390)</u>
Closing balance at 31 December 2013	<u>4,341</u>	<u>868</u>	<u>6,198</u>	<u>11,407</u>
Equity as of 1 January 2014	4,341	868	6,198	11,407
Total comprehensive income	-	-	1,058	1,058
Other increases (decreases) in equity	-	-	<u>(1,390)</u>	<u>(1,390)</u>
Closing balance at 31 December 2014	<u>4,341</u>	<u>868</u>	<u>5,866</u>	<u>11,075</u>

Statement of Cash Flow – Direct Method	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Net cash flows from (used in) operating activities	(76,147)	108,672
Net cash flows from (used in) investment activities	(1,323)	(1,387)
Net cash flows from (used in) financing activities	<u>24,132</u>	<u>21,389</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange-rate variations	(53,338)	128,674
Cash and cash equivalents at end of period	117,486	170,824

Inversiones Lan S.A.

Incorporation: Established as a closed joint stock company by public deed of 23 January 1990, extended by Public Notary Humberto Quezada M., recorded at Folio 3,462 N° 1,833 of 1990 of the Santiago Business Register and published in the Official Gazette of 2 February 1990.

Purpose: To invest in all types of property, whether moveable or real, tangible or intangible; in addition, the company may form other companies of all types and acquire rights in, administer, modify and liquidate existing companies.

Subscribed and paid-in capital:	ThUS\$458
Net income:	ThUS\$(4,537)
Stake:	100.0%
% of consolidated assets:	0.01%

Board of Directors

Chairman:	Enrique Cueto Plaza
Directors:	Ignacio Cueto Plaza Andrés Osorio Hermansen Roberto Alvo Milosawlewitsch Enrique Elsaca Hirmas

Subsidiaries of Inversiones Lan S.A. and stakes:

- Transport Aviation Leasing Limited	100.00%
- Aviation Administration Services Ltd.	100.00%
- Passenger Aircraft Leasing Limited	100.00%
- Andes Airport Services S.A.	98.00%

INVERSIONES LAN S.A.
(Closed joint stock company)

Consolidated Classified Statement of Financial Position	As of 31	As of 31
	December	December
	2014	2013
	ThUS\$	ThUS\$
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	4,969	2,536
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	<u>572</u>	<u>572</u>
Total current assets	5,541	3,108
Total non-current assets	<u>10,494</u>	<u>12,254</u>
TOTAL ASSETS	<u>16,035</u>	<u>15,362</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	13,560	7,718
Total non-current liabilities	<u>1,186</u>	<u>1,215</u>
Total liabilities	<u>14,746</u>	<u>8,933</u>
EQUITY		
Equity attributable to controller's owners	1,272	6,421
Non-controlling interest	<u>17</u>	<u>8</u>
Total equity	<u>1,289</u>	<u>6,429</u>
TOTAL LIABILITIES AND EQUITY	<u>16,035</u>	<u>15,362</u>

Consolidated Statement of Income by Function	For the period ended	
	on 31 December	
	2014	2013
	ThUS\$	ThUS\$
Revenues from ordinary activities	32,821	31,735
Gross income	5,846	8,649
Profit (loss) before tax	(3,986)	633
Income tax expenses	<u>(551)</u>	<u>(107)</u>
PROFIT (LOSS) OF THE PERIOD	<u>(4,537)</u>	<u>526</u>
Profit (loss) of the period attributable to:		
Controller's owners	(4,546)	517
Non-controlling interest	<u>9</u>	<u>9</u>
Profit (loss) of the period	<u>(4,537)</u>	<u>526</u>

Consolidated Statement of Comprehensive Income	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
PROFIT (LOSS) OF THE PERIOD	(4,537)	526
Other comprehensive income	<u>(49)</u>	<u>(109)</u>
Total comprehensive income	<u>(4,586)</u>	<u>417</u>
Total comprehensive income attributable to:		
Controller's owners	(4,594)	410
Non-controlling interest	<u>8</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME	<u>(4,586)</u>	<u>417</u>

Statement of Changes in Equity	Equity attributable to controller's owners ThUS\$	Non-controlling interest ThUS\$	Total equity ThUS\$
Equity as of 1 January 2013	6,466	1	6,467
Total comprehensive income	410	7	417
Other increases (decreases) in equity	<u>(455)</u>	<u>-</u>	<u>(455)</u>
Closing balance at 31 December 2013	<u>6,421</u>	<u>8</u>	<u>6,429</u>
Equity as of 1 January 2014	6,421	8	6,429
Total comprehensive income	(4,592)	8	(4,584)
Dividends	(627)	-	(627)
Other increases (decreases) in equity	<u>70</u>	<u>1</u>	<u>71</u>
Closing balance at 31 December 2014	<u>1,272</u>	<u>17</u>	<u>1,289</u>

Consolidated Statement of Cash Flow – Direct Method	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Net cash flows from (used in) operating activities	327	1,419
Net cash flows from (used in) investment activities	(4)	(1,480)
Net cash flows from (used in) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange-rate variations	323	(61)
Effect of exchange-rate variation on cash and cash equivalents	(4)	(22)
Cash and cash equivalents at end of period	526	207

Inmobiliaria Aeronáutica S.A.

Incorporation: Established as a closed joint stock company by public deed of 1 August 1995, extended by Public Notary Gonzalo de la Cuadra Fabres, recorded at Folio 21,690 N° 17,549 of 1995 of the Santiago Business Register and published in the Official Gazette of 14 September 1995.

Purpose: To acquire and sell real estate and rights over real estate; to develop, plan, sell and build real estate and real estate projects; to rent, administer and exploit real estate in any other way, whether on its own account or on behalf of third parties.

Subscribed and paid-in capital:	ThUS\$1,147
Net income:	ThUS\$1,906
Stake:	100.00%
% of consolidated assets:	0.11%

Board of Directors

Chairman:	Enrique Cueto Plaza Andrés Osorio Hermansen Armando Valdivieso Montes
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INMOBILIARIA AERONÁUTICA S.A.
(Closed joint stock company)

Classified Statement of Financial Position	As of 31 December 2014 ThUS\$	As of 31 December 2013 ThUS\$
ASSETS		
Total current assets	1,475	1,028
Total non-current assets	<u>38,445</u>	<u>37,525</u>
TOTAL ASSETS	<u>39,920</u>	<u>38,553</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	6,642	4,808
Total non-current liabilities	<u>10,212</u>	<u>7,316</u>
Total liabilities	<u>16,854</u>	<u>12,124</u>
EQUITY		
Total equity	<u>23,066</u>	<u>26,429</u>
TOTAL LIABILITIES AND EQUITY	<u>39,920</u>	<u>38,553</u>

Statement of Income by Function	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Revenues from ordinary activities	4,352	4,797
Gross income	2,686	3,352
Profit (loss) before tax	2,527	3,050
Income tax expenses	<u>(621)</u>	<u>(1,819)</u>
PROFIT (LOSS) OF THE PERIOD	<u>1,906</u>	<u>1,231</u>

Statement of Comprehensive Income	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
PROFIT (LOSS) OF THE PERIOD	<u>1,906</u>	<u>1,231</u>
Total comprehensive income	<u>1,906</u>	<u>1,231</u>

Statement of Changes in Equity	Equity issued ThUS\$	Retained earnings ThUS\$	Total equity ThUS\$
Equity as of 1 January 2013	1,147	33,051	34,198
Total comprehensive income	-	1,231	1,231
Dividends	-	<u>(9,000)</u>	<u>(9,000)</u>
Closing balance at 31 December 2013	<u>1,147</u>	<u>25,282</u>	<u>26,429</u>
Equity as of 1 January 2014	1,147	25,282	26,429
Total comprehensive income	-	(740)	(740)
Other increases (decreases) in equity	-	<u>(2,623)</u>	<u>(2,623)</u>
Closing balance at 31 December 2014	<u>1,147</u>	<u>21,919</u>	<u>23,066</u>

Statement of Cash Flow – Direct Method	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Net cash flows from (used in) operating activities	(2,086)	(14,163)
Net cash flows from (used in) investment activities	(2,098)	14,073
Net cash flows from (used in) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange-rate variations	(12)	(90)
Effect of exchange-rate variation on cash and cash equivalents	(17)	(23)
Cash and cash equivalents at end of period	-	29

Lantours División Servicios Terrestres S.A.

Incorporation: Established as a closed joint stock company by public deed of 22 June 1987, extended by Santiago Public Notary Raúl Undurraga Laso, recorded at Folio 13,139 N° 8,495 of 1987 of the Santiago Business Register and published in the Official Gazette of 2 July 1987. The company's bylaws have been amended on a number of occasions, most recently under public deed of 24 August 1999, extended by Santiago Public Notary Eduardo Pinto Peralta, recorded at Folio 21,042 N° 16,759 of 1999 of the Santiago Business Register and published in the Official Gazette of 8 September 1999.

Purpose: To exploit, administer and represent local or overseas companies or businesses dedicated to hotel, shipping, air transport and tourism activities; to exploit, on its own account or on behalf of third parties, car rental activities; to import, export, produce, market and distribute, on its own account or on behalf of others, in domestic or international markets, any type of goods whether raw materials, inputs or finished products.

Subscribed and paid-in capital:	ThUS\$225
Net income:	ThUS\$2,074
Stake:	100.00%
% of consolidated assets:	0.00%

Board of Directors

Chairman:	Armando Valdivieso Montes
Directors:	Armando Valdivieso Montes Andrés Osorio Hermansen

Subsidiary of Lantours División Servicios Terrestres S.A. and stake:

- Lantours División Servicios Terrestres II S.A.	100.00%
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LANTOURS DIVISIÓN SERVICIOS TERRESTRES S.A.

(Closed joint stock company)

	As of 31 December 2014 ThUS\$	As of 31 December 2013 ThUS\$
Classified Statement of Financial Position		
ASSETS		
Total current assets	3,056	2,478
Total non-current assets	<u>173</u>	<u>244</u>
TOTAL ASSETS	<u>3,229</u>	<u>2,722</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	2,283	2,203
Total non-current liabilities	<u>6</u>	<u>7</u>
Total liabilities	<u>2,289</u>	<u>2,210</u>
EQUITY		
Total equity	<u>940</u>	<u>512</u>
TOTAL LIABILITIES AND EQUITY	<u>3,229</u>	<u>2,722</u>
Statement of Income by Function		
	For the period ended on 31 December 2014 ThUS\$	2013 ThUS\$
Revenues from ordinary activities	10,710	10,365
Gross income	6,813	5,781
Profit (loss) before tax	2,509	1,017
Income tax expenses	<u>(435)</u>	<u>(230)</u>
PROFIT (LOSS) OF THE PERIOD	<u>2,074</u>	<u>787</u>
Statement of Comprehensive Income		
	For the period ended on 31 December 2014 ThUS\$	2013 ThUS\$
PROFIT (LOSS) OF THE PERIOD	<u>2,074</u>	<u>787</u>
Total comprehensive income	<u>2,074</u>	<u>787</u>

Statement of Changes in Equity	Equity issued ThUS\$	Retained earnings ThUS\$	Total equity ThUS\$
Equity as of 1 January 2013	225	300	525
Total comprehensive income	-	787	787
Dividends	-	<u>(800)</u>	<u>(800)</u>
Closing balance at 31 December 2013	<u>225</u>	<u>287</u>	<u>512</u>
Equity as of 1 January 2014	225	287	512
Total comprehensive income	-	2,074	2,074
Dividends	-	<u>(1,646)</u>	<u>(1,646)</u>
Closing balance at 31 December 2014	<u>225</u>	<u>715</u>	<u>940</u>

Statement of Cash Flow – Direct Method	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Net cash flows from (used in) operating activities	2,027	782
Net cash flows from (used in) investment activities	(17)	15
Net cash flows from (used in) financing activities	<u>(1,646)</u>	<u>(800)</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange-rate variations	364	(3)
Cash and cash equivalents at end of period	372	8

Lan Pax Group S.A.

Incorporation: Established as a closed joint stock company by public deed of 27 September 2001, extended by Santiago Public Notary Patricio Zaldivar Mackenna, recorded at Folio 25,636 N° 20,794 of the Santiago Business Register on 4 October 2001 and published in the Official Gazette of 6 October 2001.

Purpose: To invest in all types of property, whether moveable or real, tangible or intangible; in addition, within its area of activity, the company may form other companies of any type and acquire rights in, administer, modify and liquidate existing companies. In general, it may acquire, sell and exploit all types of goods, whether on its own account or on behalf of others, and perform acts of any type and enter into contracts of any kind that are conducive to its purpose. It may also develop and undertake any other activity resulting from its purpose and/or linked, related, pursuant or complementary to this purpose.

Subscribed and paid-in capital:	ThUS\$424
Net income:	ThUS\$(120,739)
Stake:	100.00%
% of consolidated assets:	0.00%

Board of Directors

Chairman:	Ignacio Cueto Plaza
Directors:	Andrés del Valle Enrique Elsaca Hirmas

Subsidiaries of Lan Pax Group S.A. and stakes:

Inversora Cordillera S.A. and subsidiaries	95.78%
Lantours S.A.	100.00%
Atlantic Aviation Investments LLC	99.00%
Perdiz Leasing LLC	99.00%
Akemi Holdings S.A.	100.00%
Saipan Holdings S.A.	100.00%
Aeroasis S.A.	100.00%
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	100.00%
Puerto Montt Holding S.A. and subsidiaries	99.875%

LAN PAX GROUP S.A.
(Closed joint stock company)

Consolidated Classified Statement of Financial Position	As of 31	As of 31
	December	December
	2014	2013
	ThUS\$	ThUS\$
ASSETS		
Total current assets	343,304	326,373
Total non-current assets	<u>296,716</u>	<u>315,216</u>
TOTAL ASSETS	<u>640,020</u>	<u>641,589</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	390,914	378,370
Total non-current liabilities	<u>674,243</u>	<u>523,481</u>
Total liabilities	<u>1,065,157</u>	<u>901,851</u>
EQUITY		
Equity attributable to controller's owners	(426,016)	(246,521)
Non-controlling interest	<u>879</u>	<u>(13,741)</u>
Total equity	<u>(425,137)</u>	<u>(260,262)</u>
TOTAL LIABILITIES AND EQUITY	<u>640,020</u>	<u>641,589</u>

Consolidated Statement of Income by Function	For the period ended	
	on 31 December	
	2014	2013
	ThUS\$	ThUS\$
Revenues from ordinary activities	1,095,242	1,140,255
Gross income	166,660	95,188
Profit (loss) before tax	(113,085)	(143,800)
Income tax expenses	<u>(7,654)</u>	<u>27,143</u>
PROFIT (LOSS) OF THE PERIOD	<u>(120,739)</u>	<u>(116,657)</u>
Profit (loss) of the period attributable to:		
Controller's owners	(114,511)	(104,966)
Non-controlling interest	<u>(6,228)</u>	<u>(11,691)</u>
Profit (loss) of the period	<u>(120,739)</u>	<u>(116,657)</u>

Consolidated Statement of Comprehensive Income	For the period ended on 31 December	
	2014	2013
	ThUS\$	ThUS\$
PROFIT (LOSS) OF THE PERIOD	(120,739)	(116,657)
Other comprehensive income	<u>(43,298)</u>	<u>(27,036)</u>
Total comprehensive income	<u>(164,037)</u>	<u>(143,693)</u>
Comprehensive income attributable to:		
Controller's owners	(157,315)	(131,495)
Non-controlling interest	<u>(6,722)</u>	<u>(12,198)</u>
TOTAL COMPREHENSIVE INCOME	<u>(164,037)</u>	<u>(143,693)</u>

Statement of Changes in Equity	Equity attributable to controller's owners ThUS\$	Non-controlling interest ThUS\$	Total equity ThUS\$
Equity as of 1 January 2013	(112,396)	(3,048)	(115,444)
Total comprehensive income	(131,495)	(12,198)	(143,693)
Other increases (decreases) in equity	<u>(2,630)</u>	<u>1,505</u>	<u>(1,125)</u>
Closing balance at 31 December 2013	<u>(246,521)</u>	<u>(13,741)</u>	<u>(260,262)</u>
Equity as of 1 January 2014	(246,521)	(13,741)	(260,262)
Total comprehensive income	(157,315)	(6,722)	(164,037)
Other increases (decreases) in equity	<u>(22,180)</u>	<u>21,342</u>	<u>(838)</u>
Closing balance at 31 December 2014	<u>(426,016)</u>	<u>879</u>	<u>(425,137)</u>

Consolidated Statement of Cash Flow – Direct Method	For the period ended on 31 December	
	2014	2013
	ThUS\$	ThUS\$
Net cash flows from (used in) operating activities	(12,710)	(110,576)
Net cash flows from (used in) investment activities	(53,535)	(75,586)
Net cash flows from (used in) financing activities	<u>96,340</u>	<u>200,403</u>
Net increase (decrease) in cash and cash equivalents before effect of exchange-rate variations	30,095	14,241
Effect of exchange-rate variation on cash and cash equivalents	(77)	(66)
Cash and cash equivalents at end of period	86,528	56,510

Lan Chile Investments Limited

Incorporation: Established as a limited liability company by public deed of 30 July 1999 in the Cayman Islands and recorded in the Cayman Islands Company Register on the same date.

Purpose: To invest in all types of property, whether moveable or real, tangible or intangible.

Subscribed and paid-in capital:	ThUS\$10
Net income:	ThUS\$2,844
Stake:	100.00%
% of consolidated assets:	0.01%

Board of Directors

Chairman:	Andrés del Valle Eitel
Directors:	Andrés Osorio Hermansen Pilar Duarte Peña

Subsidiary of Lan Chile Investments Limited and stake:

- Inversiones La Burguería S.A.	99.90%
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LAN CHILE INVESTMENTS LIMITED
(Limited liability company)

	As of 31 December 2014 ThUS\$	As of 31 December 2013 ThUS\$
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets	2,015	2,015
Total non-current assets	-	<u>2,404</u>
TOTAL ASSETS	<u>2,015</u>	<u>4,419</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	-	12
Total non-current liabilities	-	<u>5,236</u>
Total liabilities	<u>-</u>	<u>5,248</u>
EQUITY		
Equity attributable to controller's owners	<u>2,015</u>	<u>(829)</u>
Total equity	<u>2,015</u>	<u>(829)</u>
TOTAL LIABILITIES AND EQUITY	<u>2,015</u>	<u>4,419</u>

	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Consolidated Statement of Income by Function		
Revenues from ordinary activities	-	-
Gross income	-	-
Profit (loss) before tax	2,844	(1)
Income tax expenses	-	-
PROFIT (LOSS) OF THE PERIOD	<u>2,844</u>	<u>(1)</u>
Profit (loss) of the period attributable to:		
Controller's owners	2,844	(1)
Non-controlling interest	-	-
Profit (loss) of the period	<u>2,844</u>	<u>(1)</u>

Consolidated Statement of Comprehensive Income	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
PROFIT (LOSS) OF THE PERIOD	<u>2,844</u>	<u>(1)</u>
Total comprehensive income	<u>2,844</u>	<u>(1)</u>
Total comprehensive income attributable to:		
Controller's owners	2,844	(1)
Non-controlling interest	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>2,844</u>	<u>(1)</u>

Statement of Changes in Equity	Equity attributable to controller's owners ThUS\$	Non-controlling interest ThUS\$	Total equity ThUS\$
Equity as of 1 January 2013	(828)	-	(828)
Total comprehensive income	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Closing balance at 31 December 2013	<u>(829)</u>	<u>-</u>	<u>(829)</u>
Equity as of 1 January 2014	(829)	-	(829)
Total comprehensive income	<u>2,844</u>	<u>-</u>	<u>2,844</u>
Closing balance at 31 December 2014	<u>2,015</u>	<u>-</u>	<u>2,015</u>

Consolidated Statement of Cash Flow – Direct Method	For the period ended on 31 December	
	2014 ThUS\$	2013 ThUS\$
Net cash flows from (used in) operating activities	-	(1)
Net cash flows from (used in) investment activities	-	-
Net cash flows from (used in) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	(1)
Cash and cash equivalents at end of period	-	-

TECHNICAL TRAINING LATAM S.A.

Incorporation: Established as a joint stock company by public deed of 23 December 1997 in Santiago, Chile, recorded at Folio 878 N° 675 of 1998 of the Santiago Business Register.

Purpose: To provide technical training services and other types of related services.

Subscribed and paid-in capital:	ThUS\$881
Net income:	ThUS\$287
Stake:	100.0%
% of consolidated assets:	0.1%

Board of Directors

Chairman:	Enrique Elsaca
Directors:	Sebastián Acuto Fernando Andrade

TECHNICAL TRAINING LATAM S.A.
(Limited liability company)

	As of 31 December 2014 ThUS\$
<hr/>	
Consolidated Classified Statement of Financial Position	
<hr/>	
ASSETS	
Total current assets	1,387
Total non-current assets	<u>273</u>
TOTAL ASSETS	<u>1,660</u>
LIABILITIES AND EQUITY	
LIABILITIES	
Total current liabilities	263
Total non-current liabilities	<u>0</u>
Total liabilities	<u>263</u>
EQUITY	
Equity attributable to controller's owners	<u>1,397</u>
Total equity	<u>1,397</u>
TOTAL LIABILITIES AND EQUITY	<u>1,660</u>

	For the period from 26 November to 31 December 2014 ThUS\$
<hr/>	
Consolidated Statement of Income by Function	
<hr/>	
Revenues from ordinary activities	171
Gross income	3
Profit (loss) before tax	(26)
Income tax expenses	<u>(23)</u>
PROFIT (LOSS) OF THE PERIOD	<u>(49)</u>
Profit (loss) of the period attributable to:	
Controller's owners	(49)
Non-controlling interest	<u>0</u>
Profit (loss) of the period	<u>49</u>

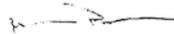
	For the period from 26 November to 31 December 2014 ThUS\$
Consolidated Statement of Comprehensive Income	
PROFIT (LOSS) OF THE PERIOD	(49)
Other comprehensive income	(19)
Total comprehensive income	<u>(68)</u>
Total comprehensive income attributable to:	
Controller's owners	0
Non-controlling interest	<u>0</u>
TOTAL COMPREHENSIVE INCOME	<u>(68)</u>

Statement of Changes in Equity	Equity issued ThUS\$	Retained earnings ThUS\$	Total equity ThUS\$
Equity as of 26 November 2014	881	564	1,445
Total comprehensive income	<u>0</u>	<u>(68)</u>	<u>(68)</u>
Closing balance at 31 December 2014	<u>881</u>	<u>496</u>	<u>1,377</u>

	For the period from 26 November to 31 December 2014 ThUS\$
Consolidated Statement of Cash Flow – Direct Method	
Net cash flows from (used in) operating activities	281
Net cash flows from (used in) investment activities	0
Net cash flows from (used in) financing activities	<u>0</u>
Net increase (decrease) in cash and cash equivalents	281
Effect of exchange-rate variation on cash and cash equivalents	1
Cash and cash equivalents at beginning of period	168
Cash and cash equivalents at end of period	450

Sworn Statement

As Directors and Chief Financial Officer of LATAM Airlines Group, we declare under our responsibility on the veracity of the information contained in this Annual Report.



Mauricio Rolim Amaro
Chairman



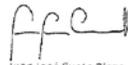
Ricardo Caballero
Director



Renato Solen Kadis
Director



Carlos Heller Solari
Director



Juan José Cueto Plaza
Director



Henry Philippe Reichstul
Director



Gerardo Jofré Miranda
Director



Georges De Bourguignon Arndt
Director



Francisco Luzón López
Director



Andrés Usano Hermanson
Chief Financial Officer