

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(FREE TRANSLATION)

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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



**INDEPENDENT AUDITOR'S REPORT**  
(Free translation from the original in Spanish)

Santiago, March 17, 2014

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, 2013 and 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years 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 International Financial Reporting Standards. 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 misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 on 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, 2014  
Latam Airlines Group S.A.  
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*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, 2013 and 2012, and the results of operations and cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'J. Yeomans Gibbons', with a large, stylized flourish at the end.

Jonathan Yeomans Gibbons  
RUT: 13.473.972-K

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', with a horizontal line underneath.

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

ASSETS

	Note	As of December 31, 2013 ThUS\$	As of December 31, 2012 (*) ThUS\$
<b>Current assets</b>			
Cash and cash equivalents	6 - 7	1,984,903	650,263
Other financial assets	7 - 12	709,944	636,543
Other non-financial assets	13	335,617	284,404
Trade and other accounts receivable	7 - 8	1,633,094	1,417,531
Accounts receivable from related entities	7 - 9	628	15,187
Inventories	10	231,028	176,818
Tax assets	11	81,890	95,785
		<u>4,977,104</u>	<u>3,276,531</u>
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners			
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	14	2,445	47,655
		<u>4,979,549</u>	<u>3,324,186</u>
<b>Non-current assets</b>			
Other financial assets	7 - 12	65,289	74,095
Other non-financial assets	13	272,276	307,987
Accounts receivable	7 - 8	100,775	50,612
Equity accounted investments	16	6,596	3,757
Intangible assets other than goodwill	17	2,093,308	2,382,399
Goodwill	18	3,727,605	4,213,160
Property, plant and equipment	19	10,982,786	11,807,076
Deferred tax assets	20	402,962	163,067
		<u>17,651,597</u>	<u>19,002,153</u>
Total non-current assets			
Total assets		<u><u>22,631,146</u></u>	<u><u>22,326,339</u></u>

(\*) See Note 18.2

The accompanying Notes 1 to 40 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, 2013 ThUS\$	As of December 31, 2012 (*) ThUS\$
Current liabilities			
Other financial liabilities	7 - 21	2,039,787	2,047,330
Trade and other accounts payables	7 - 22	1,557,736	1,689,990
Accounts payable to related entities	7 - 9	505	274
Other provisions	23	27,856	59,574
Tax liabilities	24	11,583	14,512
Other non-financial liabilities	25	2,871,640	2,485,887
Total current liabilities		<u>6,509,107</u>	<u>6,297,567</u>
Non-current liabilities			
Other financial liabilities	7 - 21	7,859,985	7,698,857
Accounts payable	7 - 27	922,887	1,085,601
Other provisions	23	1,122,247	1,306,872
Deferred tax liabilities	20	767,228	579,339
Employee benefits	26	45,666	38,095
Other non-financial liabilities	25	77,567	99,323
Total non-current liabilities		<u>10,795,580</u>	<u>10,808,087</u>
Total liabilities		<u><u>17,304,687</u></u>	<u><u>17,105,654</u></u>
EQUITY			
Share capital	28	2,389,384	1,501,018
Retained earnings	28	795,303	1,076,136
Treasury Shares	28	(178)	(203)
Other reserves	28	2,054,312	2,535,100
Parent's ownership interest		5,238,821	5,112,051
Non-controlling interest		87,638	108,634
Total equity		<u>5,326,459</u>	<u>5,220,685</u>
Total liabilities and equity		<u><u>22,631,146</u></u>	<u><u>22,326,339</u></u>

(\*) See Note 18.2

The accompanying Notes 1 to 40 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>2013</u> ThUS\$	<u>2012 (*)</u> ThUS\$
Revenue	29	12,924,537	9,710,372
Cost of sales		<u>(10,054,164)</u>	<u>(7,634,453)</u>
Gross margin		<u>2,870,373</u>	<u>2,075,919</u>
Other income	32	341,565	220,156
Distribution costs		(1,025,896)	(803,619)
Administrative expenses		(1,136,115)	(888,654)
Other expenses		(408,703)	(311,753)
Other gains/(losses)		<u>(55,410)</u>	<u>(45,831)</u>
Gains (losses) from operating activities		<u>585,814</u>	<u>246,218</u>
Financial income		72,828	77,489
Financial costs	30	(462,524)	(294,598)
Equity accounted earnings	16	1,954	972
Foreign exchange gains/(losses)	33	(482,174)	66,685
Result of indexation units		<u>214</u>	<u>(22)</u>
Income (loss) before taxes		(283,888)	96,744
Income (loss) tax expense	20	<u>20,069</u>	<u>(102,386)</u>
NET INCOME (LOSS) FOR THE PERIOD		<u>(263,819)</u>	<u>(5,642)</u>
Income (loss) attributable to owners of the parent		(281,114)	(19,076)
Income (loss) attributable to non-controlling interest		<u>17,295</u>	<u>13,434</u>
Net income (loss) for the period		<u>(263,819)</u>	<u>(5,642)</u>
EARNINGS PER SHARE			
Basic earnings (losses) per share (US\$)	34	(0.57613)	(0.04627)
Diluted earnings (losses) per share (US\$)	34	(0.57613)	(0.04627)

(\*) The balances at December 31, 2012, include TAM S.A. and Subsidiaries from June 22, 2012, date of the business combination materialized.

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the period ended December 31,	
	<u>Note</u>	<u>2013</u>	<u>2012 (*)</u>
		ThUS\$	ThUS\$
NET INCOME (LOSS)		(263,819)	(5,642)
Components of other comprehensive income that will be reclassified to income before taxes			
Currency translation differences			
Gains (losses) on currency translation, before tax	33	<u>(629,858)</u>	<u>19,170</u>
Other comprehensive income, before taxes, currency translation differences		<u>(629,858)</u>	<u>19,170</u>
Cash flow hedges			
Gains (losses) on cash flow hedges before taxes	21	<u>128,166</u>	<u>(2,510)</u>
Other comprehensive income (losses), before taxes, cash flow hedges		<u>128,166</u>	<u>(2,510)</u>
Other components of other comprehensive income (loss), before taxes		<u>(501,692)</u>	<u>16,660</u>
Income tax relating to other comprehensive income that will be reclassified to income			
Income tax related to currency translation differences in other comprehensive income	20	-	(2,734)
Income tax related to cash flow hedges in other comprehensive income	20	<u>(19,345)</u>	<u>(2,623)</u>
Income taxes related to components of other comprehensive income that will be reclassified to income		<u>(19,345)</u>	<u>(5,357)</u>
Other comprehensive income (loss)		<u>(521,037)</u>	<u>11,303</u>
Total comprehensive income (loss)		<u>(784,856)</u>	<u>5,661</u>
Comprehensive income (loss) attributable to owners of the parent		(768,457)	(2,359)
Comprehensive income (loss) attributable to non-controlling interests		<u>(16,399)</u>	<u>8,020</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>(784,856)</u>	<u>5,661</u>

(\*) The balances at December 31, 2012, include information of TAM S.A. and Subsidiaries from June 22, 2012, date of the business combination materialized.

The accompanying Notes 1 to 40 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											
	<u>Note</u>	Change in other reserves							<u>Retained earnings</u>	<u>Parent's ownership interest</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
		<u>Share capital</u>	<u>Treasury shares</u>	<u>Currency translation reserve</u>	<u>Cash flow hedging reserve</u>	<u>Shares based payments reserve</u>	<u>Other sundry reserve</u>	<u>Total other sundry reserve</u>				
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)	28	-	-	-	-	-	-	-	(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	28-38	888,570	-	-	-	-	-	-	-	888,570	-	888,570
Dividends	28	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) through transactions with treasury shares	28	(25)	25	-	-	-	-	-	-	-	-	-
Increase (decrease) through transfers and other changes, equity	28-38	(179)	-	-	-	15,437	(8,882)	6,555	281	6,657	(4,597)	2,060
Total transactions with shareholders		888,366	25	-	-	15,437	(8,882)	6,555	281	895,227	(4,597)	890,630
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	5,326,459

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

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

	Note	Attributable to owners of the parent										
		Change in other reserves										
		Share capital ThUS\$	Treasury shares ThUS\$	Currency translation reserve ThUS\$	Cash flow hedging reserve ThUS\$	Shares based payments reserve ThUS\$	Other sundry reserve ThUS\$	Total other sundry reserve ThUS\$	Retained earnings ThUS\$	Parent's ownership interest ThUS\$	Non- controlling interest ThUS\$	Total equity ThUS\$
Equity as of January 1, 2012		473,907	-	(13,317)	(140,556)	7,130	1,362	(145,381)	1,116,798	1,445,324	12,048	1,457,372
Total increase (decrease) in equity												
Comprehensive income												
Gain (losses)	28	-	-	-	-	-	-	-	(19,076)	(19,076)	13,434	(5,642)
Other comprehensive income		-	-	16,891	(174)	-	-	16,717	-	16,717	(5,414)	11,303
Total comprehensive income		-	-	16,891	(174)	-	-	16,717	(19,076)	(2,359)	8,020	5,661
Transactions with shareholders												
Equity issuance	28-38	1,030,621	-	-	-	-	2,665,692	2,665,692	-	3,696,313	-	3,696,313
Dividends	28	-	-	-	-	-	-	-	(21,749)	(21,749)	-	(21,749)
Increase (decrease) through transactions with treasury shares	28	-	(203)	-	-	-	-	-	-	(203)	-	(203)
Increase (decrease) through transfers and other changes, equity	28-38	(3,510)	-	-	-	(1,556)	(372)	(1,928)	163	(5,275)	88,566	83,291
Total transactions with shareholders		1,027,111	(203)	-	-	(1,556)	2,665,320	2,663,764	(21,586)	3,669,086	88,566	3,757,652
Closing balance as of												
December 31, 2012		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

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	<u>Note</u>	For the periods ended December 31,	
		<u>2013</u>	<u>2012</u>
		ThUS\$	ThUS\$
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		13,406,275	10,258,473
Other cash receipts from operating activities		4,638	57,763
Payments for operating activities			
Payments to suppliers for goods and services		(9,570,723)	(7,153,865)
Payments to and on behalf of employees		(2,405,315)	(1,938,769)
Other payments for operating activities		(31,215)	(19,325)
Interest received		11,310	52,986
Income taxes refunded (paid)		(83,033)	(3,018)
Other cash inflows (outflows)	6	76,761	(50,433)
Net cash flows from operating activities		<u>1,408,698</u>	<u>1,203,812</u>
Cash flows used in investing activities			
Cash flows used for acquisition of subsidiaries		(5,517)	(3,223)
Cash flows used in the purchase of non-controlling interest		(497)	-
Other cash receipts from sales of equity or debt instruments of other entities		270,485	386,379
Other payments to acquire equity or debt instruments of other entities		(440,801)	-
Amounts raised from sale of property, plant and equipment		225,196	73,429
Purchases of property, plant and equipment		(1,381,786)	(2,389,364)
Purchases of intangible assets		(43,484)	(59,166)
Payment from other long-term assets		22,144	38,035
Dividends received		-	351
Other cash inflows (outflows)	6	75,448	27,143
Net cash flow used in investing activities		<u>(1,278,812)</u>	<u>(1,926,416)</u>
Cash flows from (used in) financing activities			
Amounts raised from issuance of shares		888,949	83,512
Payments to acquire or redeem the shares of the entity		-	(203)
Amounts raised from long-term loans		2,043,518	2,185,663
Amounts raised from short-term loans		1,101,159	152,000
Loans repayments		(1,952,013)	(539,332)
Payments of finance lease liabilities		(423,105)	(292,931)
Dividends paid		(29,694)	(124,827)
Interest paid		(361,006)	(227,607)
Other cash inflows (outflows)	6	(62,013)	(231,079)
Net cash flows from (used in) financing activities		<u>1,205,795</u>	<u>1,005,196</u>
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		1,335,681	282,592
Effects of variation in the exchange rate on cash and cash equivalents		(1,041)	(6,736)
Net increase (decrease) in cash and cash equivalents		1,334,640	275,856
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	650,263	374,407
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	<u>1,984,903</u>	<u>650,263</u>

The accompanying Notes 1 to 40 form an integral part of these interim consolidated financial statements.

## LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013

#### 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 & FBOVSPA 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.

On August 13, 2010, the Company reported to the Superintendency of Securities and Insurance, as an Essential Matter, that at this date the Company Costa Verde Aeronáutica S.A. and Inversiones Mineras del Cantábrico S.A. (the latter two, "Cueto Subsidiaries"), TAM S.A. ("TAM"), and TAM Empreendimentos e Participações ("TEP") signed a non-binding Memorandum of Understanding ("MOU") in which the companies agreed to proceed with their intention of carrying out their operations jointly under one parent company, to be named LATAM Airlines Group S.A. ("LATAM"). The proposed affiliation would be within the world's 10 largest airline groups, providing transport services for passengers and cargo to more than 115 destinations in 23 countries, operating with a fleet of over 300 aircraft, with over 50,000 employees. Both airlines would continue operating independently with their current operating licenses and brands. On October 20, 2010, the Company and TAM announced that the operating subsidiaries of TAM had presented the structure of the transaction to the Brazilian Civil Aviation Agency ("ANAC"), which was approved by this agency on March 1, 2011.

On January 18, 2011 the parties of the MOU and Mrs. Maria Cláudia Oliveira Amaro, Maurício Rolim Amaro, Noemy Almeida Olivera Amaro and Joao Francisco Amaro ("Amaro Family"), as the only shareholders of TEP, signed binding contracts written in English called (a) Implementation Agreement and (b) Exchange Offer Agreement ("Contracts Signed") containing the final terms and conditions of the proposed partnership between the Company and TAM.

On September 21, 2011, the Court of Defense of Free Competition ("TDLC") approved the merger between the Company and TAM, establishing 14 mitigation measures. On October 3, 2011, the Company and TAM filed an appeal to the Supreme Court objecting to certain mitigation measures. On April 5, 2012, the Supreme Court confirmed the TDLC resolution rejecting the appeal filed by both companies.

On December 21, 2011, the Board of the Company cited a special meeting of shareholders, carried out on November 11, 2011, in which their shareholders approved, among others, the following matters:

- (a) The merger of the Company with Sister Holdco S.A. and Holdco II S.A. companies (the "Absorbed Companies"), two companies specially constituted for the purpose of the association between the Company and TAM;
- (b) The change of Company name and the rest of the transactions contemplated in the subscribed contracts.
- (c) The increase in capital by US\$ 1,465,372,970.09 by issuing 147,355,882 common shares without par value of which:
  - (i) US\$ 1,417,639,617.60 through the issuance of 142,555,882 shares, which would be intended to be exchanged for shares of the Absorbed Companies as a result of the proposed merger, at a rate of 0.9 new shares of the Company for each share that is fully subscribed and paid for each of the Absorbed Companies, and that belongs to shareholders other than the Company's. The shares that the Company holds in the acquired companies at the time of the merger, shall have no effect; and
  - (ii) US\$ 47,733,352.49 through the issuance of 4,800,000 shares, which would go towards compensation plans for employees of the Company and its Subsidiaries, as provided in Article 24 of the Corporations Law (Note 38 (a.1)).

The effectiveness of these agreements was subject to compliance with the conditions established in the extraordinary shareholders' meeting.

On May 10, 2012, the Company and Holdco II initiated the exchange offer of TAM shares. Having complied with the conditions for declaring the exchange offer successful and having received 95.9% of the total shares of TAM in circulation, on June 22, 2012, the Company and the Absorbed Companies granted the execution deed of Merger, through which the shares of the Absorbed Companies were exchanged for shares of the Company, as effected according to that described above. On that same date the change of the Company's name to "LATAM Airlines Group S.A." became effective. The execution deed was rectified by instrument dated July 10, 2012.

On September 4, 2012 the Board of the Company cited a special meeting of shareholders, carried out on August 3, 2012 in which their shareholders approved, among others, the following matters:

- (a) Total revocation of the Board and election of the new Board of the Company.
- (b) Approval that the remaining 7,436,816 LATAM shares, out of the total 142,555,882 shares issued under the authorization of the Extraordinary Shareholders' Meeting held on December 21, 2011, and that were not to be exchanged for shares of the Sister Holdco S.A. and Holdco II S.A., would be defined to be offered preferably to LATAM shareholders under Article 25 of the Corporations Law and that the unsubscribed balance would be offered and placed on the market in general.
- (c) Authorization of the Board of the Company to agree and proceed with the broadest powers, the terms of the issue and placement of the referred remaining shares and delegation to the Board of the Company the authority to determine, fix and agree freely and with broadest powers the placement price of the shares in accordance with the second paragraph of Article 28 of the Corporate Regulations.
- (d) Delegation to the Board of the Company the authority to determine, fix and agree freely and with the broadest powers the placement price of 4,800,000 shares defined under the Extraordinary Shareholders meeting dated December 21, 2011 to the compensation in terms of Article 24 of the Corporations Law, in accordance with the second paragraph of Article 28 of the Corporations Regulations, and determine the terms and conditions applicable to the latter.

The placement of the shares referred to in paragraph (b) above was approved by the Superintendency of Securities and Insurance, on December 11, 2012. On December 20, 2012, the Board of Directors agreed to start, from December 21, 2012, at the period of preferred option of those shares and proceeded to fix the price of placement of them, all of which was reported to the Superintendency of Securities and Insurance by Essential Matter on the same date. At the end of the period of first refusal, that is, as of January 19, 2013, there were 6,857,190 shares remaining subscribed and paid, leaving a balance of 579,626 shares to be subscribed. This balance was auctioned on the Santiago Stock Exchange - Stock Exchange dated January 23, 2013 at a value of CLP\$ 11,921 per share.

On June 11, 2013, the Company held an extraordinary shareholders' meeting, which had been called by the board on April 30, 2013, at this meeting the shareholders adopted the following resolutions:

- 1) To increase the company's capital by the sum of ThUS\$ 1.000.000 through the issuance of 63,500,000 shares, that is, from the sum of US\$ 1,652,896,812.43, represented by 488,347,819 shares, all of one single series and with no par value, to the sum of US\$ 2,652,896,812.43, represented by 551,847,819 shares, all of one single series and with no par value.
- 2) To set aside 1,500,000 new shares from the aforementioned issuance, to be used for a compensation plan for executives at LATAM and its subsidiaries, as provided in Article 24 of the Corporations Law (Note 38 (a.2)).

- 3) To empower the Board, acting freely and within the broadest faculties, to determine, fix, and agree the price, manner, time, procedure, and conditions for placing the aforementioned shares.
- 4) To empower the Board to proceed to issue the shares related with the capital increase; to enact all formal procedures necessary for said shares to be inscribed and floated; to act on behalf of the Company against all types of authorities, bodies, or persons related to the securities market; to determine all matters relating to the options that may form part of the compensation plans; to grant whatsoever powers may be necessary or desirable in order to implement all or part of the above; and, in general, to resolve all related matters approved at this Meeting.
- 5) To amend the articles of the Corporate Statutes that refer to equity in order to adjust them to the aforementioned modifications.
- 6) To delegate on the Board, for a five year period starting on December 21, 2011, the power to fix the new price of placement of the 4,800,000 shares destined for compensation plans, as provided in Article 24 of the Corporations Law, in conformity with the Extraordinary Shareholders' Meeting held on December 21, 2011, as modified at the Extraordinary Shareholders' Meeting held on September 4, 2012, and to amend and resolve the terms and conditions applicable thereto.
- 7) To empower the Board to adopt such further agreements as may be necessary in order to carry out the aforementioned matters.

On June 20, 2013, was presented to the Superintendency of Securities and Insurance a request for the inscription of 63,500,000 mentioned above. On July 22, 2013 the Superintendency of Securities and Insurance remitted the Company providing comments for said presentation by Deed No. 16141. The Company replied to these submissions on October 16, 2013. Finally, on November 11, 2013, the Superintendency of Securities and Insurance issued the certificate that approved the inscription of that issuance under the number 987. On November 20, 2013, began the preferential subscription period of the 62,000,000 shares not destined for the above compensation plans, settling the price that these shares would be offered to shareholders in US\$ 15,17. On December 19, 2013, ended the preferential subscription period, have been subscribed and paid the total of 51,685,128 shares and collected the equivalent of US\$ 784 million (Note 40 (a)).

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., Inversiones Nueva Costa Verde Aeronáutica Limitada, 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 Espada Dos S.A., Inversiones Puerto Claro Dos Limitada e Inversiones Mineras del Cantábrico S.A. owns 25.50% 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, 2013, the Company had a total of 1,588 registered shareholders. At that date approximately 7.91% of the Company's share capital was in the form of ADRs and approximately 0.73% in the form of BDRs.

For the year ended December 31, 2013, the Company had an average of 52,919 employees, ending this period with a total of 52,997 employees, spread over 9,908 Administrative employees, 6,925 in Maintenance, 17,054 in Operations, 9,339 in Cabin Crew, 4,091 in Controls Crew, and 5,680 in Sales.

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

a) As of December 31, 2013

Tax No.	Company	Country of origin	Functional Currency	Participation rate As of December 31, 2013			Statement of financial position As of December 31, 2013			Net Income
				Direct ownership	Indirect ownership	Total ownership	Assets	Liabilities	Equity	As of December 31, 2013
				%	%	%	ThUS\$	ThUS\$	ThUS\$	Gain (loss) ThUS\$
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.

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 increase of capital in TAM S.A. for a total of ThUS\$1,650,000.

## b) As of December 31, 2012

Tax No.	Company	Country of origin	Functional Currency	Participation rate As of December 31, 2012			Statement of financial position As of December 31, 2012			Net Income
				Direct ownership	Indirect ownership	Total ownership	Assets	Liabilities	Equity	Gain
				interest	interest	interest	ThUS\$	ThUS\$	ThUS\$	(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	2,678	2,153	525	1,300
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US\$	99.0100	0.9900	100.0000	57,227	23,029	34,198	17,719
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (1)	Chile	US\$	99.8361	0.1639	100.0000	522,408	637,851	(112,395)	(77,269)
Foreign	Lan Perú S.A.	Peru	US\$	49.0000	21.0000	70.0000	159,361	150,319	9,042	2,513
Foreign	Lan Chile Investments Limited and Subsidiaries (1)	Cayman Islands	US\$	99.9900	0.0100	100.0000	4,419	5,247	(828)	(10)
93.383.000-4	Lan Cargo S.A.	Chile	US\$	99.8939	0.0041	99.8980	727,091	371,663	355,428	(50,693)
Foreign	Connecta Corporation	U.S.A	US\$	0.0000	100.0000	100.0000	234	2,041	(1,807)	70
Foreign	Prime Airport Services Inc. and Subsidiary (1)	U.S.A	US\$	0.0000	100.0000	100.0000	24,678	29,484	(4,806)	1,174
96.951.280-7	Transporte Aéreo S.A.	Chile	US\$	0.0000	100.0000	100.0000	357,725	114,302	243,423	11,144
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	-	612	(612)	-
Foreign	Aircraft International Leasing Limited	U.S.A	US\$	0.0000	100.0000	100.0000	-	2,799	(2,799)	(5)
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	9,708	1,553	8,155	2,067
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	416	11	405	3
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	70	228	(158)	(42)
Foreign	Lan Cargo Overseas Limited and Subsidiaries (1)	Bahamas	US\$	0.0000	100.0000	100.0000	364,482	397,611	(37,368)	(6,375)
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary (1)	Chile	CLP	0.0000	100.0000	100.0000	57,154	64,905	(8,692)	(4,458)
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (1)	Chile	CLP	99.7100	0.0000	99.7100	16,181	9,714	6,466	(112)
Foreign	TAM S.A. y Filiales (1) (2)	Brazil	BRL	63.0901	36.9099	100.0000	8,821,298	9,198,899	(480,632)	(75,195)

(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.

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.

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, as the Company has major risks and benefits associated to them according to standards issued by the Standing Interpretations Committee of the International Accounting Information: Consolidation - Special Purpose Entities (“SIC 12”) 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, 2012 and December 31, 2013, are detailed below:

(1) Incorporation or acquisition of companies

- TAM S.A. and Subsidiaries became part of LATAM Airlines Group S.A. as of June 22, 2012 date on which merger was materialized with the companies Sister Holdco S.A. and Holdco II S.A. (see Note 18.2.(a)).
- Lantours Division II Land Services S.A. On November 22, 2012, by public deed in the Notary of Santiago of Mr. Patricio Raby Benavente, was incorporated LANTOURS Division II Land Services S.A., which is owned by 99.99% to LANTOURS Division Land Services S.A. and 0.01% Lan Investment S.A., motionless.
- On October 11, 2013, TAM S.A., under each contracts of sale of shares with Lan Cargo Overseas Limited, TADEF, Participação e Consultoria Empresarial Ltda. y Jochman Participações Ltda. acquired the 99.98% of the shares of Aerolinhas Brasileiras S.A. (ABSA).

## 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. Preparation

The consolidated financial statements of LATAM Airlines Group S.A. are for the period ended December 31, 2013, and have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and IFRIC interpretations.

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 IFRS 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.

The comparative consolidated financial statements have been revised as a result of modifications made to the fair values calculated in the business combination with TAM S.A. and Subsidiaries, during the measurement period in accordance with IFRS 3, and correction of non-significant errors originated before the date of acquisition within TAM S.A. (Note 18.2.(c)). Additionally, 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, 2013:

Standards and amendments	Mandatory application: Annual periods beginning on or after
Amendment to IAS 1: Presentation of financial statements Issued in June 2011. The main change in this amendment requires that items of Other Comprehensive Income are classified and grouped evaluating if they potentially will be reclassified to results in future periods.	07-01-2012
IAS 27: Separate financial statements Issued in May 2011, replaces IAS 27 (2008). The scope of this standard is restricted beginning with this change only for separate financial statements, as the aspects related to the definition of control and consolidation were removed and included in IFRS 10.	01/01/2013

Standards and amendments	Mandatory application: Annual periods beginning on or after 01/01/2013
<p>Amendment IFRS 7: Financial instruments: Disclosures            Issued in December 2011. Requires improvement of current disclosures over compensation of financial assets and liabilities, with the aim of increasing convergence between IFRS and USGAAP. These revelations are focused on quantitative information over the financial instruments recognized that offset in the Statement of Financial Position.</p>	01/01/2013
<p>IFRS 10: Consolidated financial statements            Issued in May 2011, replaces SIC 12 "Consolidation of special purpose entities" and orientation on control and consolidation in IAS 27 "Consolidated Financial Statements". Sets clarifications and new parameters for the definition of control, and the principles for the preparation of consolidated financial statements.</p>	01/01/2013
<p>IFRS 11: Joint arrangements            Issued in May 2011, replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly controlled entities". Provides a more realistic reflection of joint arrangements by focusing on rights and obligations arising from the agreements rather than their legal form. Within its modifications include the elimination of the concept of jointly controlled assets and the possibility of proportional consolidation of entities under joint control.</p>	01/01/2013
<p>IFRS 12: Disclosures of interests in other entities            Issued in May 2011, brings together in one standard all required disclosures in the financial statements related to investments in other entities, whether they are classified as subsidiaries, associates or joint ventures. Applicable for entities that hold investments in subsidiaries, joint ventures, and associates.</p>	01/01/2013
<p>IFRS 13: Fair value measurement            Issued in May 2011, brings together in one standard the way to measure the fair value of assets and liabilities and disclosures required on it, and incorporates new concepts and explanations for measurement.</p>	01/01/2013

Standards and amendments	Mandatory application: Annual periods beginning on or after
<p>IAS 19 Revised: Employee benefits            Issued in June 2011, replaces IAS 19 (1998). This revised standard changes the recognition and measurement of costs for defined benefit plans and termination benefits. Essentially, this amendment eliminates the fluctuation band or “corridor” method, and stipulates that actuarial fluctuations over the period are recognized against Other Comprehensive Income. Additionally, it includes modifications to disclosures for all employee benefits.</p>	01/01/2013
Improvements issued in May 2012	01/01/2013
<p>IAS 1: Presentation of financial statements – Clarifies requirements for comparative information when an entity has a 3rd Statement of Financial Position column.</p>	
<p>IAS 16: Property plant and equipment - Clarifies that the parts and service equipment will be classified as Property, plant and equipment rather than inventory, as it meets the definition of Property, plant and equipment.</p>	
<p>IAS 32: Financial instrument: Presentation - Clarifies the treatment income tax distributions and related transaction costs.</p>	
<p>IAS 34 Interim financial reporting - Clarifies the disclosure requirements of segment assets and liabilities in interim periods, confirming the same requirements applicable to annual financial statements.</p>	
<p>Amendments to IFRS 10: Consolidated financial statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of interests in other entities. Issued in June 2012. Clarifies the transitional provisions for IFRS 10, indicating that it is necessary to apply the first day of the annual period in adopting the rule.</p>	01/01/2013
<p>The application of standards, amendments and interpretations had no material impact on the annual consolidated financial statements of the Company.</p>	

(b) Accounting pronouncements effective implementation starting on January 1, 2014 and following:

Standards and amendments	Mandatory application: Annual periods beginning on or after
<p>Amendment to IAS 32: Financial instruments: Presentation Issued in December 2011. Clarifies the requirements for off-setting financial assets and liabilities in the Statement of Financial Position. Specifically, that the right to compensation should be available at the reporting date and not depend on a future event. It also indicates that it must be legally binding upon both counterparties in the normal course of business, as well as in the case of default, insolvency or bankruptcy. Early adoption is permitted.</p>	01/01/2014
<p>IFRS 9: Financial instruments Issued in December 2009, this amendment modifies the classification and measurement of financial assets. It establishes two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity maintains it in order to obtain contractual cash flows and these cash flows represent capital and interest. This standard was subsequently modified in November 2010 to include the treatment and classification of financial liabilities. For liabilities, the standard carries forward the majority of the requirements established in IAS 39. These include accounting at amortized cost for most financial liabilities, with splitting of embedded derivatives. The principal change is that, where the fair value option is selected for financial liabilities, the part of the change in the fair value attributable to changes in own credit risk for the entity is recognized under other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. Early adoption is permitted.</p>	Undetermined
<p>Amendment to IAS 27: Separate financial statements and IFRS 10: Consolidated financial statements and IFRS 12: Disclosure of interests in other entities - Issued in October 2012. The modifications include the definition of an investment entity and introduce an exception to consolidate certain subsidiaries pertaining to investment entities. This amendment requires an entity to measure the investment of these subsidiaries at fair value through profit or loss according to IFRS 9 "Financial Instruments" in the consolidated and separate financial statements. The amendment also introduces new disclosure requirements on investment firms in IFRS 12 and IAS 27.</p>	01/01/2014

Standards and amendments	Mandatory application: Annual periods beginning on or after
<p>Amendment to IAS 36: Impairment of assets            Issued in May 2013 Modifies recoverable amount disclosures for non-financial assets in line with the requirements stipulated under IFRS 13. This amendment requires the disclosure of additional information on the recoverable amount of assets that show impairment if this amount is based on fair value minus costs of disposal. It also requests disclosure of items that include the discount rates used in measuring the recoverable amount determined using present value approaches. Early adoption is permitted.</p>	<p>01/01/2014             The Company has adopted early this amendment at December 31, 2013.</p>
<p>Amendment to IAS 39: Financial instruments: Recognition and measurement            Issued in June 2013. This standard outlines requirements for the novation of derivatives, permitting continuation of hedge accounting, so as to prevent novations arising as a result of laws and regulations from affecting financial statements. For these purposes, it indicates that hedging instruments shall not be voided or terminated in the event of changes: (a) arising as a result of laws or regulations, if the parties to the hedging instrument agree that a central counterparty or an entity (or entities) act as a counterparty to provide central compensation replacing the original counterparty; (b) otherwise, as applicable, affecting the hedging instruments, limited to such changes as are necessary to conduct such a replacement of the counterparty. These changes include changes in contractual guarantee requirements, accounts receivable and accounts payable compensation rights, taxes, and encumbrances. Early adoption is permitted.</p>	<p>01/01/2014</p>
<p>IFRS 9 “Financial instruments”            Issued in November 2013, the modifications include a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. Additionally, and unrelated to hedge accounting, this modification allows entities to opt for early adoption of the requirement to recognize changes in reasonable value attributable to changes in the credit risk of the entity itself in other comprehensive income (for financial liabilities designated under the fair value option). This modification may be applied without any requirement to adopt the rest of IFRS 9.</p>	<p>Undetermined</p>
<p>Amendment to IAS 19 “Employee Benefits”            Issued in November 2013, this amendment applies to contributions by employees or third parties to defined benefits plans. The modifications seek to simplify accounting procedures for contributions that are independent of the number of years of service of the employees, such as employee contributions calculated as a fixed percentage of their salaries.</p>	<p>01/07/2014</p>

## Standards and amendments

Mandatory  
application:  
Annual periods  
beginning on or after

Improvements to the International Financial Reporting Standards (2012)  
Issued in December 2013.

01/07/2014

IFRS 2 “Share-based Payment” – The amendment clarifies the definitions of “vesting condition” and “market condition” and adds separate definitions of “performance condition” and “service condition”. This amendment must be applied prospectively for all transaction with share-based payments to vest on or after July 1, 2014. Early adoption is permitted.

IFRS 3 “Business Combinations” - The standard is amended to clarify that contingent consideration that is classified as financial instrument under the test described in IAS 32 “Financial instruments” shall be classed as a financial liability or equity. The standard is also amended to clarify that all non-equity contingent consideration, both financial and non-financial, shall be measured at fair value at each reporting date, with changes in value imputed to profit or loss. Therefore, IFRS 9, IAS 37, and IAS 39 are also modified. The amendment is prospectively applicable for business combinations with an acquisition date on or after July 1, 2014. Early adoption is permitted so long as the amendments to IFRS 9 and IAS 37, also issued as part of the 2012 improvement plan, are also early adopted.

IFRS 8 “Operating Segments” - The standard is amended to include to disclose the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments that have been aggregated and the economic indicators that have been assessed in determining that the segments aggregated share similar economic characteristics. The standard is also amended to require a reconciliation of the total of the reportable segments’ assets with the assets of the entity, when assets are reported by segment. Early adoption is permitted.

## Standards and amendments

Mandatory  
application:  
Annual periods  
beginning on or after

Improvements to the International Financial Reporting Standards (2012)  
Issued in December 2013.

01/07/2014

IFRS 13 “Fair Value Measurement” - When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and GA79 of IAS 39 were consequently eliminated. This led to a doubt as to whether entities were no longer permitted to measure short term receivables and payables at invoice amounts if the effect of not discounting is immaterial. The IASB has modified the basis of conclusions of IFRS 13 to clarify that it had no intention of removing the capacity to measure short term receivables and payables at the invoice amount under such circumstances.

IAS 16, “Property, Plant and Equipment”, and IAS 38, “Intangible Assets” - Both of these standards are amended to clarify the treatment of the gross carrying amount and accumulated depreciation when for entities that apply the revaluation model. In these cases, the carrying amount of the asset is updated to the revalued amount, and this revaluation is split between carrying amount and accumulated depreciation in one of the following ways: 1) either the carrying amount is updated in a manner consistent with the revaluation of the carrying amount and accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after accounting for losses through accumulated impairment; 2) or accumulated depreciation is eliminated, against a charge to the gross carrying amount of the asset. Early adoption is permitted.

IAS 24, “Related Party Disclosures” - The standard is amended to include an entity providing key management personnel services to the reporting entity or the parent of the reporting entity as a related party of the reporting entity. The reporting entity is not obligated to disclose the compensation paid to the workers or administrators of the entity providing key management services, but is obligated to disclose the sums imputed to the reporting entity by the service provider entity for the key management personnel services provided. Early adoption is permitted.

## Standards and amendments

Mandatory  
application:  
Annual periods  
beginning on or after

Improvements to the International Financial Reporting Standards (2012)  
Issued in December 2013.

01/07/2014

IFRS 1 “First-time Adoption of International Financial Reporting Standards” - The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new IFRS permits early application for all applicable periods.

IFRS 3 “Business Combinations” - The standard is amended to clarify that IFRS 3 is not applicable to accounting procedures for the formation of a joint arrangement under IFRS 11. The amendment also clarifies that the exemption to inclusion only applies in the financial statements of the joint arrangement itself.

IFRS 13 “Fair Value Measurement” - The amendment clarifies that the scope of the portfolio exception defined in IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9, permitting the reporting entity to measure the fair value of a group of financial assets and liabilities at net value. The amendment is mandatory for financial reporting periods starting on or after July 1, 2014. An entity must apply the amendments prospectively from the start of the first annual period in which IFRS 13 is applied.

IAS 40 “Investment Property” - The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 provides guidelines to distinguish between investment properties and properties occupied by their owners. When financial information is prepared, the application guidelines for IFRS 3 must also be applied in order to determine whether or not an investment property is a business combination. The amendment is applicable for financial reporting periods starting on or after July 1, 2014, but may be applied to individual property acquisitions before that date, so long as the information necessary to apply the amendment is available.

## Interpretations

Mandatory  
application:  
Annual periods  
beginning on or after

## IFRIC 21: Levies

01/01/2014

Issued in May 2013. A levy is defined as a disbursement of resources that include economic benefits imposed on an entity by a government in accordance with legislation in force. The interpretation indicates accounting procedures for the payment of a levy if it the liability falls within the scope of IAS 37. The issue relates to when a liability should be recognized for levies imposed by a public authority to operate in a specific market. The interpretation indicates that the liability should be recognized at the time of the event that generated the obligation, at which point payment was unavoidable. The obligating event may occur on a specific date or progressively over the course of time. Early adoption is permitted.

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

## 2.2. 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.

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 (or IFRS 3 for its acronym in Spanish - <http://www.normasinternacionalesdecontabilidad.es/nic/pdf/niif3.pdf>). According to IFRS 3, the cost of acquisition is the fair value of the assets acquired, the equity instruments issued and the liabilities incurred or assumed on the date of the business combination. The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially valued at their fair value on the date of acquisition, regardless of the extent of the non-controlling interests. The excess of the acquisition cost over the fair value of the Company's holding in the net identifiable assets acquired is shown as Goodwill. If the cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recorded directly in the consolidated statement of income (Note 2.6). The transaction costs in a business combination are recognized in the consolidated income statement when they are incurred. Additionally, IFRS 3 allows adjustments to the initial accounting for a business combination within the period of twelve months from the acquisition date. In connection with the business combination process with TAM SA and Subsidiaries, this period of 12 months from the day June 22, 2012.

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.

### (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.

The participation of LATAM Airlines Group S.A. and Subsidiaries in the losses or gains after the acquisition of its investees or associates is shown in results, and its participation in post-acquisition movements in reserves of investees or associates are shown in reserves.

Post-acquisition movement is adjusted against the book value of the investment. When the participation of LATAM Airlines Group S.A. and Subsidiaries in the losses of an investee or associate is equal to or more than its holding in it, including any other non-guaranteed account receivable, LATAM Airlines Group S.A. and Subsidiaries will not show the additional losses unless it has incurred obligations or made payments on behalf of the investee or associate.

Gains or losses for dilution in investees or associates are shown in the consolidated statement of income.

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,
- (iii) All the resultant exchange differences 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.

## 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

### 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.

The airport slots correspond to an administrative authorization to carry out an operation 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

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 explained in Note 18.2.(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.

Expenses related to the development or maintenance of computer software which do not qualify for capitalization, are shown as an expense when incurred. Certain 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.

The direct costs include the expenses of the personnel who develop the computer software and other costs directly associated.

Development costs of computer software shown as assets are amortized over their estimated useful lives.

## 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 incurred.

## 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, loans and receivables and financial assets held to maturity. 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 acquired for trading unless they are designated as hedges. Assets in this category are classified as Cash and cash equivalents, held for trading, and other financial assets, designated on initial recognition.

### (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).

## (c) Financial assets held to maturity

Financial assets held to maturity are non-derivative financial instruments with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and capacity to hold until their maturity. Should the Company sell a not-insignificant amount of the financial assets held to their maturity, the whole category is reclassified as available for sale. These financial instruments held to maturity are included in non-current assets, except for those maturity equal to or less than 12 months from the consolidated statement of financial position, which are classified as Other current financial assets.

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 loss 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. Held to maturity investments are carried at amortized cost using the effective interest rate.

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. For the case of financial assets held to maturity, if there is any evidence of impairment, 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.

## 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. Deferred taxes

Deferred taxes are calculated 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.

The Company does not record deferred tax on temporary differences arising on investments in subsidiaries, provided that the opportunity to reverse the temporary differences is controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax on temporary differences arising on investments in associates is immaterial.

#### 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 results for the period when they occur.

## (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.

Provisions are shown at the present value of the disbursements expected to be necessary for settling the obligation using the Company's best estimates. The pre-tax discount rate used for determining the present value reflects current market evaluations on the date of the consolidated financial statements, time value of money, as well as the specific risks related to the liability in question.

## 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 in heading Other financial liabilities in the Statement of Financial Position.

#### (ii) Frequent flyer program

The Company currently has a frequent flyer program, whose objective is customer loyalty through the delivery of kilometers or points fly whenever the program 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 on balance sheet aircraft, these maintenance cost are capitalized as Property, plant and equipment, while in the case of off balance sheet aircraft maintenance cost are periodically provided for and recognized through profit and loss 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 derivatives 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 rises in the underlying assets.

##### (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 of 2013, the Company recognized gains of US\$ 19.03 million on fuel hedging. During the same period 2012, the Company recognized losses of US\$ 1.80 million for the same reason.

At December 31, 2013, the market value of its fuel positions amounted to US\$ 15.9 million (positive). At December 31, 2012, this market value was US\$ 9.9 million (negative).

The following tables show the notional value of the purchase positions together with the derivatives contracted for the different periods:

Positions as of December 31, 2013 (*)			
	Q114	Q214	Total
Volume (thousands of barrels)	4,093	1,851	5,944
Contracted future price (US\$ per barrel)(**)	110	109	110
Total (ThUS\$)	450,230	201,759	653,840
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) in Brent, WTI and JET.

(\*\*) Weighted average between collars and options when activated. Correspond to equivalent in Brent.

Positions as of December 31, 2012 (*)	Maturities						
	Q113	Q213	Q313	Q413	Q114	Q214	Total
Volume (thousands of barrels)	4.824	600	525	525	525	75	7.074
Contracted future price (US\$ per barrel)(**)	122	132	132	131	111	104	123
Total (ThUS\$)	588.528	79.200	69.300	68.775	58.275	7.800	870.102
Percentage of the hedge of expected consumption value	61%	7%	6%	6%	6%	1%	19%

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

(\*\*) Weighted average between collars and options, when activated. Correspond to equivalent in Brent.

Given that current derivatives portfolio comprises mainly contracts based on Brent, a decision has been made to change the equivalence applied to this underlying index in order to calculate the agreed future value for different periods.

#### 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).

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 second quarter of 2014.

The calculations were made considering a parallel movement of US\$ 5 per barrel in the curve of the WTI, BRENT and JET crude futures benchmark price at the end of December, 2013 and the end of December, 2012.

Benchmark price (US\$ per barrel)	Positions as of December 31, 2013 effect on equity (millions of US\$)	Positions as of December 31, 2012 effect on equity (millions of US\$)
+ 5	+ 24.57	+12.60
-5	-19.13	-11.30

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.

Beginning with the third quarter of 2012 the company meets the required criteria of IAS 39, presented to apply hedge accounting in respect of fuel hedging TAM society. Until June 30, 2012, the Company did not apply hedge accounting to fuel hedging instruments of TAM. During the periods presented the Company has not recorded ineffectiveness within the income statement.

Given the fuel hedge structure during 2013, which considers a hedge-free portion, a vertical fall by 5 dollars in the WTI, BRENT and JET benchmark price (the monthly daily average), would have meant an impact of approximately US\$ 127.6 million in the cost of total fuel consumption for the same period. For 2013, a vertical rise by 5 dollars in the WTI, BRENT and JET benchmark price (the monthly daily average) would have meant an impact of approximately US\$ 118.5 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 70% 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 <u>in libor 3 months</u>	Positions as of December 31, 2013 effect on equity <u>(millions of US\$)</u>	Positions as of December 31, 2012 effect on equity <u>(millions of US\$)</u>
+100 basis points	-29.70	-33.69
-100 basis points	+29.70	+33.69

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, 2013 effect on equity (millions of US\$)	Positions as of December 31, 2012 effect on equity (millions of US\$)
+100 basis points	+23.35	+33.60
-100 basis points	-24.46	-35.50

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 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 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, directly affecting the Company.

In order to reduce the impacts on the Company's profit and loss caused by rises and falls in the R\$/US\$ exchange rate, during the last quarter of 2013 the Company conducted transactions 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, 2013 Millions of US\$
-10%	+197.76
+10%	-197.76

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 forwards.

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 Forwards.

At December 31, 2013, the market value of its FX positions amounted to US\$ 32.06 million (positive), these derivatives were contracted during 2013 so at December 31, 2012, there was no this type of derivatives.

The following table presents the notional amount of the contracted positions with the average prices agreed:

Positions at December 31, 2013					
	Q114	Q214	Q314	Q414	Total
Volume (million of US\$)	125	125	125	125	500
Forward average price agreed (US\$/R\$)	2.24	2.28	2.33	2.39	2.31
Total (million of R\$)	280	285	291	299	1,155

#### 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 IFRS, therefore, a variation in the exposure has an impact on the Company's net equity).

The following table presents the sensitivity of financial 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 fourth quarter of 2014:

Appreciation (depreciation) of R\$/US\$	Effect at December 31, 2014 Millions of US\$
-10%	-49.46
+10%	+49.46

#### Operations hedging of exchange rate Multiplus

The prices of frequent flyer points in the subsidiary Multiplus S.A. are denominated in US dollars. As functional currency is the Brazilian real, the sale of these points are assigned to variations in the exchange rate R\$/US\$. To decrease exposure, Multiplus S.A. contract rate collars.

The following table presents the notional amount and market value of derivatives exchange rate for each maturity date. The expiration date of the derivatives coincide with the probable date of collection points. The highly probable sale of the points are expected to be recognized in income after being exchanged, on average, six months later.

Foreign currency derivative Multiplus	Position at December 31, 2013	
	Maturity	
	2014	Total
Notional Value (Millions of US\$)	+18.00	+18.00
Market Value (Millions of US\$)	-1.65	-1.65

The derivatives hedges of Multiplus expire in March 2014. Have not yet been executed new hedge contracts by the subsidiary Multiplus, because exposure to exchange rate R\$/US\$ has been managed by a change in the indexation of Multiplus costs, increase the cost base in US\$, which creates a natural hedge to reduce the exposure of cash flows to exchange rate R\$/US\$.

#### Sensitivity exchange rate Multiplus S.A.

If the Brazilian real appreciates or depreciates by 10% against the US dollar and all other variables are held constant, the financial results would have varied approximately US\$3.3 million/ US\$ 4.2 million, mainly as the effect of gains or losses from exchange rate in the time value of derivatives, which are recognized immediately through profit and loss.

#### 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 time value. The intrinsic value is the percentage of cash flow cash covered, initially shown in equity and later transferred to income, while the hedge transaction is recorded in income. The time value corresponds to the ineffective portion of cash flow hedge and is recognized in the financial results of the Company (Note 21).

Due to the functional currency of TAM S.A. and Subsidiaries is the Brazilian real, the Company presents effects by 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, being these last currency 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 to appreciate or depreciate 10% exchange rate R\$/US\$:

Appreciation (depreciation) of R\$/US\$	Effect at December 31, 2013 Millions of US\$	Effect at December 31, 2012 Millions of US\$
-10%	+466.45	+407.00
+10%	-381.63	-332.98

## (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, 2013

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective	Nominal	Nominal
								90 days	90 days	one to three years	three to five years	five years			rate	value	rate
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	ThUS\$	%
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US\$	-	30,100	-	-	-	30,100	At expiration	1.00%	30,000	1.00%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	231,533	-	-	-	-	231,533	At expiration	1.63%	230,000	1.63%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US\$	-	40,188	-	-	-	40,188	At expiration	1.06%	40,000	1.06%
		LATAM Airlines Group S.A.	Chile	76.100.458-1	BLADEX	Chile	US\$	100,934	-	-	-	-	100,934	At expiration	1.87%	100,000	1.87%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	877	789	115,051	-	-	116,717	At expiration	3.19%	115,051	3.19%
		LATAM Airlines Group S.A.	Chile	97.023.000-9	CORPBANCA	Chile	UF	19,001	55,465	139,603	84,505	-	298,574	Quarterly	4.85%	268,460	4.85%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	Argentina	AR\$S	785	15,861	-	-	-	16,646	Monthly	20.75%	15,335	20.75%
		LATAM Airlines Group S.A.	Chile	0-E	BBVA	Argentina	AR\$S	1,668	30,029	-	-	-	31,697	Monthly	23.78%	27,603	23.78%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	4,031	12,065	32,213	32,203	28,234	108,746	Quarterly	5.69%	91,543	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US\$	11,862	35,886	83,920	10,139	-	141,807	Quarterly	1.99%	140,312	1.99%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	2,280	6,839	-	-	-	9,119	Quarterly	3.06%	8,964	2.73%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US\$	11,325	34,296	93,368	96,444	237,865	473,298	Quarterly	2.45%	418,254	2.31%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A.	US\$	55,235	165,469	439,680	437,387	1,205,577	2,303,348	Quarterly	2.47%	2,099,776	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US\$	11,540	34,748	93,687	95,226	168,917	404,118	Quarterly	2.64%	372,191	2.04%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	5,420	16,374	44,359	45,459	96,694	208,306	Quarterly	1.32%	200,599	0.78%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A.	US\$	2,891	8,741	23,742	24,417	65,005	124,796	Quarterly	1.64%	118,070	1.04%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A.	US\$	1,418	4,292	11,671	12,017	32,461	61,859	Quarterly	1.63%	58,502	1.04%
		LATAM Airlines Group S.A.	Chile	0-E	US BANK	U.S.A.	US\$	18,699	56,022	148,643	147,528	449,705	820,597	Quarterly	2.81%	703,992	2.81%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A.	US\$	5,760	17,500	47,175	39,021	93,773	203,229	Quarterly	3.27%	173,036	3.27%
Other guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	DVB Bank SE	U.S.A.	US\$	8,178	24,564	65,726	-	-	98,468	Quarterly	1.99%	95,292	1.99%
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	5,028	15,205	39,703	9,324	-	69,260	Quarterly	3.23%	65,076	3.03%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US\$	5,086	14,599	31,434	24,647	17,415	93,181	Quarterly	1.21%	89,514	1.21%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US\$	2,009	6,028	16,075	16,075	8,038	48,225	Quarterly	6.38%	40,564	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	17,566	52,678	140,462	115,934	23,211	349,851	Quarterly	5.35%	308,774	4.23%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US\$	7,984	24,056	64,890	59,475	7,139	163,544	Quarterly	4.65%	147,334	4.15%
		LATAM Airlines Group S.A.	Chile	0-E	BANC OF AMERICA	U.S.A.	US\$	703	2,099	5,628	-	-	8,430	Monthly	1.43%	7,899	1.43%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A.	US\$	-	2,804	172,128	-	-	174,932	At expiration	1.75%	170,838	1.75%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK (*)	U.S.A.	US\$	9,750	20,100	131,865	209,810	209,684	581,209	Quarterly	6.00%	450,000	6.00%
Hedging derivatives	89.862.200-2	LATAM Airlines Group S.A.	Chile	-	OTHERS	-	US\$	11,005	30,495	59,829	16,561	614	118,504	-	-	112,819	-
Non-hedging derivatives	89.862.200-2	LATAM Airlines Group S.A.	Chile	-	OTHERS	-	US\$	1,120	3,203	1,618	-	-	5,941	-	-	5,562	-
Total								<u>553,688</u>	<u>760,495</u>	<u>2,002,470</u>	<u>1,476,172</u>	<u>2,644,332</u>	<u>7,437,157</u>			<u>6,705,360</u>	

(\*) 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

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor Tax No.	Nombre de empresa Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective	Total	Nominal		
								90 days	90 days to one year	one to three years	three to five years	rate			Nominal rate	Nominal rate			
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	ThUS\$			
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	Brazil	US\$	2,410	44,071	-	-	-	46,481	At Expiration	3.76%	43,885	3.20%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRAZIL S.A.	Brazil	US\$	9,803	135,450	-	-	-	145,253	At Expiration	5.20%	137,849	4.66%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US\$	29,142	50,737	-	-	-	79,879	At Expiration	6.31%	73,830	4.73%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	US\$	43,211	22,986	-	-	-	66,197	At Expiration	3.73%	62,357	2.94%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL	200	447	52	-	-	699	Monthly	7.42%	684	7.42%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	US\$	79,995	50,686	-	-	-	130,681	At Expiration	3.87%	122,341	3.29%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	44,986	-	-	-	44,986	At Expiration	10.63%	42,688	10.15%		
		TAM S.A. and Subsidiaries	Brazil	0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	186	495	1,320	1,320	2,035	5,356	Monthly	6.01%	4,215	6.01%		
		Obligation with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A.	US\$	34,010	80,251	190,343	457,367	953,212	1,715,183	At Expiration	8.60%	1,100,000	8.41%
		Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	2,850	7,728	20,609	20,609	18,892	70,688	Monthly	1.25%	58,321	1.25%
TAM S.A. and Subsidiaries	Brazil			0-E	AIR CANADA	U.S.A.	US\$	1,325	1,645	-	-	-	2,970	Monthly	0.00%	2,970	0.00%		
TAM S.A. and Subsidiaries	Brazil			0-E	AIRBUS FINANCIAL SERVICES	U.S.A.	US\$	3,546	10,405	28,944	21,867	15,758	80,520	Monthly	1.42%	75,352	1.42%		
TAM S.A. and Subsidiaries	Brazil			0-E	AWAS	U.S.A.	US\$	5,651	4,432	-	-	-	10,083	Monthly	0.00%	5,651	0.00%		
TAM S.A. and Subsidiaries	Brazil			0-E	BNP PARIBAS	U.S.A.	US\$	722	2,008	5,705	6,283	8,648	23,366	Quarterly	1.00%	22,082	1.00%		
TAM S.A. and Subsidiaries	Brazil			0-E	BNP PARIBAS	France	US\$	872	2,397	6,387	6,394	10,385	26,435	Quarterly	0.86%	23,359	0.75%		
TAM S.A. and Subsidiaries	Brazil			0-E	CITIBANK	England	US\$	7,059	20,021	48,442	50,209	109,870	235,601	Quarterly	1.03%	222,590	0.90%		
TAM S.A. and Subsidiaries	Brazil			0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,971	14,177	57,595	12,297	14,308	103,348	Quarterly	1.40%	97,945	1.40%		
TAM S.A. and Subsidiaries	Brazil			0-E	CREDIT AGRICOLE-CIB	France	US\$	8,834	26,771	61,037	51,629	53,270	201,541	Semiannual/Quarterly	0.75%	195,396	0.65%		
TAM S.A. and Subsidiaries	Brazil			0-E	DVB BANK SE	Germany	US\$	3,386	9,812	12,717	-	-	25,915	Quarterly	2.50%	25,000	2.50%		
TAM S.A. and Subsidiaries	Brazil			0-E	DVB BANK SE	U.S.A.	US\$	214	621	1,243	284	-	2,362	Monthly	1.75%	2,279	1.75%		
TAM S.A. and Subsidiaries	Brazil			0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,709	48,803	-	-	-	52,512	Monthly	1.25%	51,978	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	HSBC	France	US\$	1,611	4,480	12,148	12,461	37,705	68,405	Quarterly	1.45%	64,296	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	KFW IPEX-BANK	Germany	US\$	4,463	13,067	30,880	21,672	18,232	88,314	Monthly/Quarterly	1.74%	82,718	1.74%		
TAM S.A. and Subsidiaries	Brazil			0-E	NATIXIS	France	US\$	9,619	20,117	58,917	62,444	124,621	275,718	Quarterly/Semiannual	2.81%	246,128	2.78%		
TAM S.A. and Subsidiaries	Brazil			0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	3,491	10,137	43,583	19,001	38,965	115,177	Monthly	1.71%	106,403	1.71%		
TAM S.A. and Subsidiaries	Brazil			0-E	WACAPOU LEASING S.A.	Luxembourg	US\$	632	1,679	3,943	3,209	14,585	24,048	Quarterly	2.00%	21,737	2.00%		
TAM S.A. and Subsidiaries	Brazil			0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US\$	1,781	1,427	-	-	-	3,208	Monthly	1.25%	3,194	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	14,113	39,557	96,309	102,366	105,460	357,805	Quarterly	3.86%	334,095	3.78%		
TAM S.A. and Subsidiaries	Brazil			0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	580	1,673	4,534	4,645	6,619	18,051	Quarterly	0.57%	17,394	0.57%		
TAM S.A. and Subsidiaries	Brazil			0-E	BANCO DE LAGE LANDEN	Brazil	BRL	224	676	-	-	-	900	Monthly	10.38%	963	10.38%		
TAM S.A. and Subsidiaries	Brazil			0-E	BANCO IBM S.A.	Brazil	BRL	184	205	630	306	-	1,325	Monthly	10.58%	1,050	10.58%		
TAM S.A. and Subsidiaries	Brazil			0-E	HP FINANCIAL SERVICE	Brazil	BRL	376	960	2,507	313	-	4,156	Monthly	9.90%	3,559	9.90%		
TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE AIR FRANCE	France	EUR	847	1,258	-	-	-	2,105	Monthly	6.82%	1,379	6.82%				
Other loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	27,244	537	-	-	-	27,781	Monthly	2.38%	27,781	2.38%		
		TAM S.A. and Subsidiaries	Brazil	0-E	RECEITA FEDERAL DO BRASIL	Brazil	BRL	5,203	14,824	42,581	54,715	198,408	315,731	Monthly	8.99%	138,516	8.99%		
		TAM S.A. and Subsidiaries	Brazil	0-E	PROCURADORIA GERAL DA FAZENDA NACIONAL	Brazil	BRL	17	54	162	192	792	1,217	Monthly	8.99%	534	8.99%		
		TAM S.A. and Subsidiaries	Brazil	0-E	OTHERS	Brazil	US\$	496	1,156	-	-	-	1,652	-	-	1,652	-		
Total								312,977	690,736	730,588	909,583	1,731,765	4,375,649		3,421,171				

## Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2013

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective rate	Nominal value	Nominal rate
								90 days	90 days	one to three years	three to five years	five years					
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$					
Trade and other accounts payable		LATAM Airlines Group S.A. y Filiales	Others		Others		US\$	814,354	7,245	-	-	-	821,599	-	-	821,599	-
							US\$	1,104	3,318	-	-	-	4,422	Quarterly	2.01%	4,141	2.01%
							CLP	16,364	6	-	-	-	16,370	-	-	16,370	-
							BRL	207,758	8	-	-	-	207,766	-	-	207,766	-
							Others currencies	213,904	615	-	-	-	214,519	-	-	214,519	-
Accounts payable, non-current		LATAM Airlines Group S.A. y Filiales	Others		Others		US\$	-	-	11,557	-	-	11,557	Quarterly	2.01%	11,400	2.01%
Accounts payable to related parties currents		LATAM Airlines Group S.A. y Filiales	Others	96.847.880-K	Lufthansa Lan	Chile	US\$	187	-	-	-	-	187	-	-	187	-
				78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	14	-	-	-	-	14	-	-	14	-
				0-E	Inversora Aeronáutica Argentina	Argentina	US\$	304	-	-	-	-	304	-	-	304	-
Total								<u>1,253,989</u>	<u>11,192</u>	<u>11,557</u>	<u>-</u>	<u>-</u>	<u>1,276,738</u>	<u>1,276,300</u>			
Total Consolidated								<u>2,120,654</u>	<u>1,462,423</u>	<u>2,744,615</u>	<u>2,385,755</u>	<u>4,376,097</u>	<u>13,089,544</u>	<u>11,402,831</u>			

## Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2012

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective rate %	Nominal value ThUS\$	Nominal rate %
								90 days	90 days to one year	one to three years	three to five years	five years					
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$				
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US\$	30,331	-	-	-	-	30,331	Semiannual	2.17%	30,000	2.17%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US\$	35,102	-	-	-	-	35,102	Semiannual	1.70%	35,000	1.70%
		LATAM Airlines Group S.A.	Chile	76.645.030-K	ITAU	Chile	US\$	75,205	-	-	-	-	75,205	Quarterly	1.32%	75,000	1.32%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US\$	102,770	-	-	-	-	102,770	Annual	1.83%	102,000	1.79%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	181	195	214,373	-	-	214,749	-	2.57%	214,373	2.57%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US\$	-	45,430	-	-	-	45,430	Semiannual	1.76%	44,848	1.74%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	4,025	12,070	32,208	32,203	44,336	124,842	Quarterly	5.69%	102,649	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US\$	12,945	34,730	36,019	6,757	-	90,451	Quarterly	3.42%	87,448	3.37%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	4,209	12,695	24,726	15,597	19,493	76,720	Quarterly	4.96%	66,148	4.41%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US\$	17,740	53,435	144,037	146,463	152,574	514,249	Quarterly	4.15%	451,090	3.67%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A.	US\$	48,067	144,221	383,034	380,772	1,207,825	2,163,919	Quarterly	2.57%	1,959,463	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US\$	11,508	34,628	93,287	94,699	217,034	451,156	Quarterly	2.71%	409,908	2.10%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	5,405	16,281	44,085	45,085	119,771	230,627	Quarterly	1.39%	220,449	0.85%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A.	US\$	2,876	8,680	23,567	24,190	77,456	136,769	Quarterly	1.73%	128,222	1.13%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A.	US\$	1,410	4,262	11,576	11,898	38,593	67,739	Quarterly	1.71%	63,480	1.11%
		LATAM Airlines Group S.A.	Chile	0-E	BANK OF AMERICA MERRIL LYNCH	U.S.A.	US\$	3,714	11,194	30,188	30,703	111,059	186,858	Quarterly	1.97%	172,789	1.26%
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	DEVELOPMENT BANK OF JAPAN	U.S.A.	US\$	2,309	6,958	18,759	19,079	68,662	115,767	Quarterly	1.98%	107,072	1.27%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A.	US\$	5,777	17,413	46,958	47,790	109,099	227,037	Quarterly	3.35%	190,000	3.35%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	7,260	17,848	38,443	26,596	1,865	92,012	Quarterly	3.71%	85,491	3.42%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US\$	4,992	15,145	31,093	31,375	26,226	108,831	Quarterly	1.32%	103,684	1.29%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US\$	2,009	6,028	16,075	16,075	16,075	56,262	Quarterly	6.38%	46,086	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A.	US\$	1,849	5,676	-	-	-	7,525	Quarterly	1.31%	7,462	1.31%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	15,604	46,825	124,870	122,783	51,501	361,583	Quarterly	5.29%	314,261	4.70%
Hedging derivatives	89.862.200-2	LATAM Airlines Group S.A.	Chile	-	BOEING	U.S.A.	US\$	596	2,248	146,189	-	-	149,033	-	1.86%	146,189	1.86%
		LATAM Airlines Group S.A.	Chile	-	OTHERS	-	US\$	3,539	10,733	29,473	15,214	-	58,959	Quarterly	2.08%	58,960	2.08%
Non-hedging derivatives	89.862.200-2	LATAM Airlines Group S.A.	Chile	-	OTHERS	-	US\$	1,235	3,557	5,926	-	-	10,718	-	-	10,300	-
Total								411,051	541,596	1,563,246	1,097,788	2,267,247	5,880,928				

## Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2012

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective rate	Nominal rate	Nominal rate		
								90 days	90 days to one year	one to three years	three to five years	five years							
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	ThUS\$	%		
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE	France	US\$	1,093	64,533	-	-	-	65,626	Quarterly	2.81%	50,322	2.81%		
		TAM S.A. and Subsidiaries	Brazil	0-E	CTIBANK	Brazil	US\$	26,520	5,945	-	-	-	32,465	At Expiration	4.03%	29,986	4.03%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A	Brazil	US\$	45,946	118,821	-	-	-	164,767	At Expiration	5.35%	151,980	5.35%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A	Brazil	BRL	356	-	-	-	-	356	Semiannual	10.72%	92	10.72%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US\$	52,628	129,638	-	-	-	182,266	At Expiration	5.65%	163,391	5.65%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL/US\$	18,893	15,391	861	-	-	35,145	Monthly/ At Expiration	7.69% / 4.01%	32,446	7.69% / 4.01%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO UNIBANCO	Brazil	BRL	72	29	-	-	-	101	Monthly	8.94%	88	8.94%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	28,563	-	-	-	28,563	At Expiration	3.34%	27,484	3.34%		
						0-E	NCM - NEDERLANDSCHE CREDITVERZEKERING												
							MAATSCHAPPI	Holland	US\$	231	495	1,320	1,320	2,695	6,061	Monthly	0.96%	4,608	0.95%
Obligation with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A.	US\$	27,009	87,902	191,720	480,708	1,028,161	1,815,500	At Expiration	8.60%	1,100,000	8.41%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A	Brazil	BRL	42,222	271,490	-	-	-	313,712	Semiannual	8.96%	244,678	8.56%		
Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	3,482	7,728	20,609	20,609	29,196	81,624	Monthly	N/A	65,127	N/A		
		TAM S.A. and Subsidiaries	Brazil	0-E	AIR CANADA	U.S.A.	US\$	3,521	9,350	-	-	-	12,871	Monthly	N/A	12,750	N/A		
		TAM S.A. and Subsidiaries	Brazil	0-E	AIRBUS FINANCIAL SERVICES	U.S.A.	US\$	3,689	10,105	28,056	28,642	23,687	94,179	Monthly	2.25%	87,033	2.25%		
		TAM S.A. and Subsidiaries	Brazil	0-E	AWAS	U.S.A.	US\$	5,957	14,958	9,418	-	-	30,333	Monthly	N/A	17,617	N/A		
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	U.S.A.	US\$	775	1,919	5,445	5,983	11,867	25,989	Quarterly	1.50%	24,326	1.50%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	France	US\$	2,938	8,487	19,824	19,476	45,939	96,664	Quarterly	3.84%	87,986	3.84%		
		TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK N.A	England	US\$	13,119	44,695	90,296	87,083	241,694	476,887	Quarterly	3.69%	451,284	3.69%		
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE - CIB	U.S.A.	US\$	5,392	14,164	70,758	11,728	20,603	122,645	Quarterly	2.29%	114,810	2.29%		
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE - CIB	France	US\$	20,355	50,931	132,830	124,825	184,734	513,675	Quarterly/Semiannual	2.01% / 0.82%	494,721	2.01% / 0.37%		
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	Germany	US\$	3,482	10,103	25,845	-	-	39,430	Quarterly	2.89%	37,500	2.89%		
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	U.S.A.	US\$	509	1,456	2,918	768	-	5,651	Monthly	2.25%	5,402	2.25%		
		TAM S.A. and Subsidiaries	Brazil	0-E	GENERAL ELECTRIC														
							CAPITAL CORPORATION	U.S.A.	US\$	10,898	20,745	51,339	-	-	82,982	Monthly	2.59%	81,086	2.59%
		TAM S.A. and Subsidiaries	Brazil	0-E	HSBC	France	US\$	1,601	4,427	12,000	12,302	43,975	74,305	Quarterly	1.70%	69,458	0.85%		
		TAM S.A. and Subsidiaries	Brazil	0-E	KFW IPEX-BANK	Germany	US\$	4,568	12,801	35,134	25,246	27,784	105,533	Monthly/Quarterly	2.11% / 2.21%	97,770	2.11% / 2.21%		
		TAM S.A. and Subsidiaries	Brazil	0-E	NATIXIS	France	US\$	12,126	26,169	73,710	78,388	178,957	369,350	Quarterly/Semiannual	2.62% / 3.32%	316,425	2.62% / 3.32%		
		TAM S.A. and Subsidiaries	Brazil	0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	3,618	9,773	27,406	38,907	48,681	128,385	Monthly	1.96%	117,092	1.96%		
		TAM S.A. and Subsidiaries	Brazil	0-E	WACAPOU LEASING S.A.	Luxembourg	US\$	1,340	1,835	4,332	3,569	15,599	26,675	Quarterly	2.42%	23,647	2.42%		
		TAM S.A. and Subsidiaries	Brazil	0-E	WELLS FARGO BANK														
							NORTHWEST N.A.	U.S.A.	US\$	1,836	5,379	3,205	-	-	10,420	Monthly	1.98%	10,271	1.98%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIÉTÉ GÉNÉRALE														
							MILAN BRANCH	Italy	US\$	14,786	39,102	100,197	99,264	157,422	410,771	Quarterly	1.95%	380,025	1.95%
		TAM S.A. and Subsidiaries	Brazil	0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	661	1,654	4,481	4,589	8,956	20,341	Quarterly	0.88%	19,431	0.88%		
TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DE LAGE LANDEN	Brazil	BRL	493	1,458	1,891	-	-	3,842	Monthly	7.51%	2,025	7.51%				
TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A	Brazil	BRL	604	1,882	136	-	-	2,622	Monthly	10.58%	2,255	10.58%				
TAM S.A. and Subsidiaries	Brazil	0-E	CISLATINA ARRENDAMENTO																
					MERCANTIL S.A	Brazil	BRL	41	13	-	-	-	54	Monthly	5.31%	53	5.31%		
TAM S.A. and Subsidiaries	Brazil	0-E	HP FINANCIAL SERVICE	Brazil	BRL	177	529	93	-	-	799	Monthly	9.08%	747	9.08%				
TAM S.A. and Subsidiaries	Brazil	0-E	SOCIÉTÉ AIR FRANCE	France	EUR	629	108	1,203	-	-	1,940	Monthly	6.82%	1,572	6.82%				
TAM S.A. and Subsidiaries	Brazil	0-E	SOCIÉTÉ GÉNÉRALE																
					LEASING S.A	Brazil	BRL	2,766	-	-	-	-	2,766	Monthly	0.00%	2,520	0.00%		
Other loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	31,882	9,143	-	-	-	41,025	Monthly	2.20%	41,025	2.20%		
Hedging derivatives	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	OTHERS	Brazil	US\$	4,008	9,353	1,963	-	-	15,324	-	0.00%	15,324	0.00%		
Non-hedging derivatives	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	OTHERS	Brazil	US\$	3,603	6,903	4,529	-	-	15,035	-	0.00%	15,035	0.00%		
					Total			373,826	1,047,977	921,519	1,043,407	2,069,950	5,456,679			4,399,392			

## Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2012

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor Tax No.	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective rate	Nominal value	Nominal rate
								90 days	90 days	one to three	three to five	five years					
Trade and other accounts payables payable		LATAM Airlines Group S.A. and Subsidiaries	Others		Others		US\$	606,885	82,049	-	-	-	688,934	-	-	688,934	-
							CLP	5,761	-	-	-	-	5,761	-	-	5,761	-
							BRL	420,407	31,190	-	-	-	451,597	-	-	451,597	-
							BRL	29,758	8,860	-	-	-	38,618	-	-	38,618	-
							BRL	5,389	14,480	-	-	-	19,869	Monthly	6.60%	19,668	6.60%
						Others currencies	198,968	-	-	-	-	198,968	-	-	198,968	-	
Accounts payable, non-current		LATAM Airlines Group S.A. and Subsidiaries	Others		Others		US\$	-	-	18,000	-	-	18,000	-	-	18,000	-
							US\$	-	-	15,994	-	-	15,994	Quarterly	2.06%	15,541	2.06%
							BRL	-	-	3,594	-	-	3,594	-	-	3,594	-
							BRL	-	-	39,251	44,872	142,914	227,037	Monthly	6.60%	207,089	6.60%
Accounts payable to related parties currents		LATAM Airlines Group S.A. and Subsidiaries	Others	78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	14	-	-	-	-	14	-	-	-	-
			Others	96.847.880-K	Lufthansa Lan Technical Training S.A.	Chile	US\$	237	-	-	-	-	237	-	-	-	-
			Others	0-E	Made in Everywhere Rep. Com.Distr.Ltda	Brazil	BRL	23	-	-	-	-	23	-	-	-	-
Subtotal of page								<u>1,267,442</u>	<u>136,579</u>	<u>76,839</u>	<u>44,872</u>	<u>142,914</u>	<u>1,668,646</u>		<u>1,647,770</u>		
Total consolidated								<u>2,052,319</u>	<u>1,726,152</u>	<u>2,561,604</u>	<u>2,186,067</u>	<u>4,480,111</u>	<u>13,006,253</u>		<u>11,421,158</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 2012, the Company provided US\$ 189.9 million in derivative margin guarantees, for cash and stand-by letters of credit. At December 31, 2013, the Company had provided US\$ 94.3 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 exchange rate R\$/US\$, 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 ratio, in line with industry practice. This index 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 a leverage ratio 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 3, 2013 a new long-term rating for the Company of BB + with stable 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.

The leverage ratios as of December 31, 2013, and December 31, 2012, were as follows:

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Total financial loans	9,830,866	9,759,507
Last twelve months Operating lease payment x 8	3,528,616	3,390,664
Less:		
Cash and marketable securities	(2,561,574)	(1,120,335)
Total net adjusted debt	<u>10,797,908</u>	<u>12,029,836</u>
Net Equity	5,238,821	5,112,051
Cash flow hedging reserve	34,508	140,730
Adjusted equity	<u>5,273,329</u>	<u>5,252,781</u>
Total adjusted debt and equity	<u>16,071,237</u>	<u>17,282,617</u>
Adjusted leverage	67.2%	69.6%

See information related to financial covenants in Note 36 (a).

### 3.3. Estimates of fair value.

At December 31, 2013, 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 and
- Financial letters

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, 2013

	Fair value measurements using values considered as			
	<u>Fair value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Assets</b>				
Cash and cash equivalents	579,349	579,349	-	-
Short-term mutual funds	579,349	579,349	-	-
Other financial assets, current	625,086	546,116	78,970	
Fair value of interest rate derivatives	6	-	6	-
Fair value of fuel derivatives	15,868	-	15,868	-
Fair value of foreign currency derivatives	32,058	-	32,058	
Interest accrued since the last payment date of Currency Swap	483	-	483	-
Private investment funds	544,182	544,182	-	-
Certificate of deposit CDB	2,374	-	2,374	-
Financial letter	351	351	-	-
Domestic and foreign bonds	28,181	-	28,181	-
Other investments	1,583	1,583	-	-
<b>Liabilities</b>				
Other financial liabilities, current	70,506	-	70,506	
Fair value of interest rate derivatives	32,070	-	32,070	-
Fair value of foreign currency derivatives	28,621	-	28,621	-
Interest accrued since the last payment date of Currency Swap	5,775	-	5,775	
Interest rate derivatives not recognized as a hedge	4,040	-	4,040	-
Other financial liabilities, non current	56,397	-	56,397	-
Fair value of interest rate derivatives	54,906	-	54,906	-
Interest rate derivatives not recognized as a hedge	1,491	-	1,491	-

As of December 31, 2012

	<u>Fair value</u>	Fair value measurements using values considered as		
		<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>Assets</b>				
Cash and cash equivalents	311,675	311,675	-	-
Short-term mutual funds	311,675	311,675	-	-
Other financial assets, current	474,176	319,145	155,031	
Fair value of interest rate derivatives	6	-	6	-
Fair value of fuel derivatives	4,098	-	4,098	-
Private investment funds	317,598	317,598	-	-
Certificate of deposit CDB	77,316	-	77,316	-
Financial letter	73,611	-	73,611	-
Domestic and foreign bonds	748	748	-	-
Other investments	799	799	-	-
Other financial assets, non current	1,118	-	1,118	
Fair value of fuel derivatives	1,023	-	1,023	-
Fair value of foreign currency derivatives	95	-	95	-
<b>Liabilities</b>				
Other financial liabilities, current	70,075	-	70,075	
Interest accrued since the last payment date of Currency Swap	4,660		4,660	
Fair value of interest rate derivatives	37,076	-	37,076	-
Fair value of fuel derivatives	10,502	-	10,502	-
Fair value of foreign currency derivatives	13,360	-	13,360	-
Interest rate derivatives not recognized as a hedge	4,477	-	4,477	-
Other financial liabilities, non current	116,555	-	116,555	-
Fair value of interest rate derivatives	104,547	-	104,547	-
Fair value of fuel derivatives	4,530	-	4,530	-
Fair value of foreign currency derivatives	1,963	-	1,963	-
Interest rate derivatives not recognized as a hedge	5,515	-	5,515	-

Additionally, at December 31, 2013, 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, 2013		As of December 31, 2012	
	Book	Fair	Book	Fair
	<u>value</u>	<u>value</u>	<u>value</u>	<u>value</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	1,405,554	1,405,554	338,588	338,588
Cash on hand	6,017	6,017	6,835	6,835
Bank balance	229,935	229,935	147,373	147,373
Overnight	508,781	508,781	119,713	119,713
Time deposits	660,821	660,821	64,667	64,667
Other financial assets	84,858	84,858	162,367	162,367
Other financial assets	84,858	84,858	162,367	162,367
Trade and other accounts receivable current	1,633,094	1,633,094	1,417,531	1,417,531
Accounts receivable from related entities	628	628	15,187	15,187
Other financial assets, non current	65,289	65,289	72,977	72,977
Accounts receivable	100,775	100,775	50,612	50,612
Other financial liabilities, current	1,969,281	2,128,096	1,977,255	2,090,726
Trade and other accounts payables	1,557,736	1,557,736	1,689,990	1,689,990
Accounts payable to related entities	505	505	274	274
Other financial liabilities, non current	7,803,588	7,910,446	7,582,302	7,806,643
Accounts payable, non-current	922,887	922,887	1,085,601	1,085,601

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, 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.

Additionally, 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. The above 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 described in Note 18.2.a), 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.

In addition, LATAM is in process of integrating operations with TAM, and both entities will be operated as a single company. Within this, most critical airline activities will be managed in Brazil under the TAM CEO and globally by the LATAM CEO, who will be in charge of the overall operation of the LATAM Group and who will report to the LATAM board. Further, the LATAM CEO will evaluate performance of the LATAM Group executives and, together with the LATAM board, determine 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 reports information by segments as established in IFRS 8 “Operating segments”. This standard sets rules for the reporting of information by segments in the financial statements, plus reporting about products and services, geographical areas and principal customers.

An operating segment is defined as a component of an entity on which financial information is held separately and which is evaluated regularly by the senior management in making decisions with respect to the assignment of resources and evaluation of results.

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 Lan Pass 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 eleven millions of members, along with being a government entity with a separately business and not directly related to air transport.

For the period ended

	Air transportation At December 31,		Coalition and loyalty program Multiplus At December 31,		Eliminations At December 31,		Consolidated At December 31,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Income from ordinary activities from external customers	12,328,634	9,380,181	595,903	330,191	-	-	12,924,537	9,710,372
LAN passenger	4,731,296	4,529,099	-	-	-	-	4,731,296	4,529,099
TAM passenger	5,734,359	3,107,555	-	-	-	-	5,734,359	3,107,555
Freight	1,862,979	1,743,527	-	-	-	-	1,862,979	1,743,527
Income from ordinary activities from transactions with other operating segments	595,903	330,191	94,457	52,175	(690,360)	(382,366)	-	-
Income from ordinary activities from interest	-	-	-	-	-	-	-	-
Other operating income	272,640	207,273	68,925	26,696	-	(13,813)	341,565	220,156
Interest income	49,737	51,004	34,280	26,485	(11,189)	-	72,828	77,489
Interest expense	(472,171)	(294,448)	(1,542)	(150)	11,189	-	(462,524)	(294,598)
Total net interest expense	<u>(422,434)</u>	<u>(243,444)</u>	<u>32,738</u>	<u>26,335</u>	<u>-</u>	<u>-</u>	<u>(389,696)</u>	<u>(217,109)</u>

For the period ended	Air transportation		Coalition and loyalty program Multiplus		Eliminations		Consolidated	
	At December 31,		At December 31,		At December 31,		At December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation and amortization	(1,037,734)	(770,264)	(3,999)	(849)	-	-	(1,041,733)	(771,113)
Material non-cash items other than depreciation and amortization	(523,666)	33,497	59	(1,559)	-	-	(523,607)	31,938
Disposal of fixed assets and inventory losses	(33,987)	(21,990)	(123)	(1,597)	-	-	(34,110)	(23,587)
Doubtful accounts	(7,754)	(11,233)	217	95	-	-	(7,537)	(11,138)
Exchange differences	(482,139)	66,742	(35)	(57)	-	-	(482,174)	66,685
Result of indexation units	214	(22)	-	-	-	-	214	(22)
Segment profit	<u>(389,040)</u>	<u>(81,222)</u>	<u>107,926</u>	<u>62,146</u>	<u>-</u>	<u>-</u>	<u>(281,114)</u>	<u>(19,076)</u>
Participation of the entity in the income of associates	1,954	972	-	-	-	-	1,954	972
Expenses for income tax	72,155	(72,324)	(52,086)	(30,062)	-	-	20,069	(102,386)
Assets of segment	21,520,500	21,170,727	1,118,686	1,163,316	(8,040)	(7,704)	22,631,146	22,326,339
Investments in associates	3,572	1,619	3,024	2,138	-	-	6,596	3,757
Amount of non-current asset additions (*)	1,746,913	12,778,773	-	846,285	-	-	1,746,913	13,625,058
Property, plant and equipment	1,685,011	7,275,165	-	-	-	-	1,685,011	7,275,165
Intangibles other than goodwill	61,902	2,333,906	-	-	-	-	61,902	2,333,906
Goodwill	-	3,169,702	-	846,285	-	-	-	4,015,987
Segment liabilities	16,604,451	16,477,979	775,975	746,854	(75,739)	(119,179)	17,304,687	17,105,654
Purchase of non-monetary assets of segment	1,425,270	2,448,530	-	-	-	-	1,425,270	2,448,530

(\*) Includes additions by business combination with TAM S.A. and Subsidiaries at December 31, 2012.

The Company's revenues by geographic area are as follows:

	For the period ended	
	At December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Peru	646,217	620,263
Argentina	950,595	890,167
U.S.A.	1,290,493	1,268,573
Europe	937,539	738,803
Colombia	387,999	366,664
Brazil	5,572,884	3,322,431
Ecuador	273,712	266,271
Chile	1,698,476	1,525,009
Asia Pacific and rest of Latin America	1,166,622	712,191
Income from ordinary activities	<u>12,924,537</u>	<u>9,710,372</u>
Other operating income	<u>341,565</u>	<u>220,156</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 December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Cash on hand	6,017	6,835
Bank balances	229,935	147,373
Overnight	<u>508,781</u>	<u>119,713</u>
Total Cash	<u>744,733</u>	<u>273,921</u>
Cash equivalents		
Time deposits	660,821	64,667
Mutual funds	<u>579,349</u>	<u>311,675</u>
Total cash equivalents	<u>1,240,170</u>	<u>376,342</u>
Total cash and cash equivalents	<u><u>1,984,903</u></u>	<u><u>650,263</u></u>

Cash and cash equivalents are denominated in the following currencies at December 31, 2013, and December 31, 2012:

<u>Currency</u>	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Argentine peso	59,018	70,381
Brazilian real	253,392	149,723
Chilean peso (*)	229,918	40,212
Colombian peso	28,132	28,758
Euro	16,571	15,502
US Dollar	1,200,828	230,776
Strong bolivar (**)	162,809	51,346
Other currencies	<u>34,235</u>	<u>63,565</u>
Total	<u><u>1,984,903</u></u>	<u><u>650,263</u></u>

(\*) The Company entered into currency derivative contracts (forward) ThUS\$174,020 at December 31, 2013 (as of December 31, 2012, there were no forward currency derivatives), 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. At December 31, 2013, the restricted amount, expressed in dollars at the exchange rate of 6.30 VEF/US\$ is ThUS\$ 162,809 (ThUS\$ 51,346 at December 31, 2012).

The Company has no significant non-cash transactions that must be disclosed.

Other inflows (outflows) of cash at December 31, 2013 and December 31, 2012 are detailed as follow:

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Fuel hedge	11,413	14,237
Hedging margin guarantees	88,925	12,057
Guarantees	(5,001)	(13,974)
Commodities fuel derivatives	(4,041)	(20,479)
Bank commissions, taxes paid and other	<u>(14,535)</u>	<u>(42,274)</u>
Total Other inflows (outflows) Operation flow	<u>76,761</u>	<u>(50,433)</u>
Opening balance Cash and cash equivalents acquired companies	-	263,986
Amount paid by Squeeze Out TAM S.A. (*)	-	(167,589)
Certificate of bank deposits	<u>75,448</u>	<u>(69,254)</u>
Total Other inflows (outflows) Investment flow	<u>75,448</u>	<u>27,143</u>
Aircraft Financing advances	24,650	(242,804)
Credit card loan manager	(8,965)	76,280
Settlement of derivative contracts	(61,897)	(50,827)
Breakage	(16,280)	(7,405)
Other	<u>479</u>	<u>(6,323)</u>
Total Other inflows (outflows) Financing flow	<u>(62,013)</u>	<u>(231,079)</u>

(\*) See note 18.2 Business combination

## NOTE 7 - FINANCIAL INSTRUMENTS

## 7.1. Financial instruments by category

As of December 31, 2013

<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	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	<u>3,287,970</u>	<u>48,415</u>	<u>2,579</u>	<u>1,155,669</u>	<u>4,494,633</u>
<u>Liabilities</u>		Other financial liabilities	Hedge derivatives	Held for trading	Total
		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		<u>12,253,997</u>	<u>121,372</u>	<u>5,531</u>	<u>12,380,900</u>

(\*) The value presented as initial designation as fair value through profit and loss, corresponds to private investment funds; and loans and receivables corresponds to guarantees given.

At December 31, 2012

<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	338,588	-	-	311,675	650,263
Other financial assets, current (*)	162,367	4,104	74,359	395,713	636,543
Trade and others					
accounts receivable, current	1,417,531	-	-	-	1,417,531
Accounts receivable from related entities, current	15,187	-	-	-	15,187
Other financial assets, non current (*)	72,470	1,118	507	-	74,095
Accounts receivable, non current	50,612	-	-	-	50,612
<b>Total</b>	<u><u>2,056,755</u></u>	<u><u>5,222</u></u>	<u><u>74,866</u></u>	<u><u>707,388</u></u>	<u><u>2,844,231</u></u>
<u>Liabilities</u>		Other financial liabilities	Hedge derivatives	Held for trading	Total
		ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other liabilities, current		1,977,255	65,598	4,477	2,047,330
Trade and others					
accounts payable, current		1,689,990	-	-	1,689,990
Accounts payable to related entities, current		274	-	-	274
Other financial liabilities, non current		7,582,302	111,040	5,515	7,698,857
Accounts payable, non current		1,085,601	-	-	1,085,601
<b>Total</b>		<u><u>12,335,422</u></u>	<u><u>176,638</u></u>	<u><u>9,992</u></u>	<u><u>12,522,052</u></u>

(\*) The value presented as initial designation as fair value through profit and loss, corresponds to private investment funds; and loans and receivables corresponds to guarantees given.

## 7.2. Financial instruments by currency

a) Assets	As of December 31, 2013 ThUS\$	As of December 31, 2012 ThUS\$
Cash and cash equivalents	1,984,903	650,263
Argentine peso	59,018	70,381
Brazilian real	253,392	149,723
Chilean peso	229,918	40,212
Colombian peso	28,132	28,758
Euro	16,571	15,502
US Dollar	1,200,828	230,776
Strong bolívar	162,809	51,346
Other currencies	34,235	63,565
Other financial assets (current and non current)	775,233	710,638
Argentine peso	1,007	131
Brazilian real	610,242	545,426
Chilean peso	27,555	648
Colombian peso	2,550	2,828
Euro	5,494	7,825
US Dollar	127,294	142,254
Strong bolívar	14	601
Other currencies	1,077	10,925
Trade and other accounts receivable, current	1,633,094	1,417,531
Argentine peso	27,343	33,049
Brazilian real	802,789	552,947
Chilean peso	82,880	132,869
Colombian peso	9,762	8,086
Euro	21,479	67,287
US Dollar	520,991	530,380
Strong bolívar	2,353	2,759
Other currencies (*)	165,497	90,154
Accounts receivable, non-current	100,775	50,612
Brazilian real	1,194	6,677
Chilean peso	8,624	9,564
US Dollar	90,755	34,123
Other currencies	202	248
Accounts receivable from related entities, current	628	15,187
Brazilian real	162	611
Chilean peso	466	14,565
US Dollar	-	11
Total assets	4,494,633	2,844,231
Argentine peso	87,368	103,561
Brazilian real	1,667,779	1,255,384
Chilean peso	349,443	197,858
Colombian peso	40,444	39,672
Euro	43,544	90,614
US Dollar	1,939,868	937,544
Strong bolívar	165,176	54,706
Other currencies	201,011	164,892

	As of December 31, <u>2013</u>	As of December 31, <u>2012</u>
	ThUS\$	ThUS\$
(*) Other currencies	165,497	90,154
Australian Dollar	26,198	15,944
Chinese Yuan	22,887	4,173
Danish krone	6,899	10,477
Pound Sterling	15,256	10,159
Indian rupee	5,343	3,296
Japanese Yen	10,332	5,271
Norwegian kroner	14,970	666
Swiss Franc	6,645	1,394
Korean Won	16,929	3,362
New Taiwanese Dollar	9,670	478
Other currencies	30,368	34,934

b) Liabilities

Liabilities information is detailed in the table within Note 3 Financial risk management.

NOTE 8 - TRADE, OTHER ACCOUNTS RECEIVABLE AND NON-CURRENT ACCOUNTS RECEIVABLE

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Trade accounts receivable	1,552,489	1,360,666
Other accounts receivable	251,982	182,980
Total trade and other accounts receivable	<u>1,804,471</u>	<u>1,543,646</u>
Less: Allowance for impairment loss	(70,602)	(75,503)
Total net trade and accounts receivable	<u>1,733,869</u>	<u>1,468,143</u>
Less: non-current portion – accounts receivable	(100,775)	(50,612)
Trade and other accounts receivable, current	<u><u>1,633,094</u></u>	<u><u>1,417,531</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, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Day	1,378,226	1,231,937
Expired from 1 to 90 days	72,417	33,160
Expired from 91 to 180 days	11,547	10,705
More than 180 days overdue (*)	19,697	9,361
Judicial, pre-judicial collection and protested documents	19,630	29,556
Debtor under pre-judicial collection process and portfolio sensitization	50,972	45,947
Total	<u><u>1,552,489</u></u>	<u><u>1,360,666</u></u>

(\*) Value of this segment corresponds primarily to accounts receivable that were evaluated in their ability to recover, therefore not requiring a provision.

The receivable past due but not impaired at the end of each period is as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Expired from 1 to 90 days	72,417	33,160
Expired from 91 to 180 days	11,547	10,705
More than 180 days overdue	19,697	9,361
Total	<u>103,661</u>	<u>53,226</u>

The amounts of individually impaired Trade and other accounts receivable are as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Judicial, pre-judicial collection and protested documents	19,630	29,556
Debtors under pre-judicial collection process and portfolio sensitization	<u>50,972</u>	<u>45,947</u>
Total	<u>70,602</u>	<u>75,503</u>

Currency balances that make up the Trade and other accounts receivable and Accounts receivable, at December 31, 2013 and December 31, 2012, are as follows:

<u>Currency</u>	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Argentine Peso	27,343	33,049
Brazilian Real	803,983	559,624
Chilean Peso	91,504	142,433
Colombian peso	9,762	8,086
Euro	21,479	67,287
US Dollar	611,746	564,503
Strong bolivar	2,353	2,759
Other currency (*)	165,699	90,402
Total	<u>1,733,869</u>	<u>1,468,143</u>
(*) Other currencies		
Australian Dollar	26,198	15,944
Chinese Yuan	22,887	4,173
Danish krone	6,899	10,477
Pound Sterling	15,256	10,159
Indian rupee	5,343	3,296
Japanese Yen	10,332	5,271
Norwegian kroner	14,970	666
Swiss Franc	6,645	1,394
Korean Won	16,929	3,362
New Taiwanese Dollar	9,670	478
Other currencies	30,570	35,182
Total	<u>165,699</u>	<u>90,402</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%

The movement in the allowance for impairment loss of Trade and other accounts receivables between January 1, 2012 and December 31, 2013 is as follows:

	ThUS\$
As of January 1, 2012	(20,525)
Write-offs	3,312
(Increase) decrease in allowance	(2,857)
Addition for business combination	(54,511)
Conversion difference affiliates	(922)
Closing balance as of December 31, 2012	<u>(75,503)</u>
As of January 1, 2013	(75,503)
Write-offs	9,928
(Increase) decrease in allowance	(5,027)
Closing balance as of December 31, 2013	<u>(70,602)</u>

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, 2013			As of December 31, 2012		
	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	1,552,489	(70,602)	1,481,887	1,360,666	(75,503)	1,285,163
Other accounts receivable	251,982	-	251,982	182,980	-	182,980

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

The Accounts receivable from and payable to related entities as of December 31, 2013 and December 31, 2012, respectively, are as follows:

## (a) Accounts Receivable

Tax No.	Related party	Relationship	Country of origin	As of	As of	Currency	Transaction deadlines	Nature of transaction
				December 31, 2013	December 31, 2012			
				ThUS\$	ThUS\$			
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	-	1	CLP	30 to 45 days	Monetary
78.591.370-1	Bethia S.A. y Filiales	Others related parties	Chile	441	14,534	CLP	30 to 45 days	Monetary
79.773.440-1	Transportes San Felipe S.A.	Others related parties	Chile	1	-	CLP	30 to 45 days	Monetary
87.752.000-5	Granja Marina Tornagaleones S.A.	Others related parties	Chile	24	30	CLP	30 to 45 days	Monetary
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Others related parties	Brazil	2	-	BRL	30 to 45 days	Monetary
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Others related parties	Brazil	14	14	BRL	30 to 45 days	Monetary
Foreign	Prisma Fidelidade S.A.	Others related parties	Brazil	146	597	BRL	30 to 45 days	Monetary
Foreign	Inversora Aeronáutica Argentina	Others related parties	Argentina	-	11	US\$	30 to 45 days	Monetary
	Total current assets			628	15,187			

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.

## (b) Accounts payable

<u>Tax No.</u>	<u>Related party</u>	<u>Relationship</u>	<u>Country of origin</u>	As of December 31, <u>2013</u>	As of December 31, <u>2012</u>	<u>Currency</u>	<u>Transaction deadlines</u>	<u>Nature of transaction</u>
				ThUS\$	ThUS\$			
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	187	237	US\$	30 to 45 days	Monetary
78.591.370-1	Bethia S.A. y Filiales	Other related parties	Chile	14	14	CLP	30 to 45 days	Monetary
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Other related parties	Brazil	-	23	BRL	30 to 45 days	Monetary
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	<u>304</u>	<u>-</u>	US\$	30 to 45 days	Monetary
	Total current liabilities			<u>505</u>	<u>274</u>			

Transactions between related parties have been carried out on free-trade conditions between interested and duly-informed parties.

## NOTE 10 -INVENTORIES

The Inventories December 31, 2013 and December 31, 2012 respectively, are detailed below:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Technical stock	190,202	145,665
Non-technical stock	40,826	31,153
Total production suppliers	<u>231,028</u>	<u>176,818</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, 2013 amounts to ThUS\$ 1,757 (ThUS\$ 1,174 as of December 31, 2012). The resulting amounts do not exceed the respective net realizable values.

As of December 31, 2013, the Company recorded ThUS\$ 160,068 (ThUS\$ 127,989 as of December 31, 2012) within the income statement, mainly due to in-flight consumption and maintenance, which forms part of Cost of sales.

## NOTE 11 - TAX ASSETS

The composition of Tax assets is as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
Provisional monthly payments (advance)	61,570	76,173
Other credits recovery	<u>20,320</u>	<u>19,612</u>
Total current	<u><u>81,890</u></u>	<u><u>95,785</u></u>

## NOTE 12 - OTHER FINANCIAL ASSETS

The composition of Other financial assets is as follows:

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Current		
(a) Other financial assets	661,529	632,439
(b) Hedging asset	48,415	4,104
Total current	<u>709,944</u>	<u>636,543</u>
Non-current		
(a) Other financial assets	65,289	72,977
(b) Hedging asset	-	1,118
Total non-current	<u>65,289</u>	<u>74,095</u>

## (a) Other financial assets

Other financial assets as of December 31, 2013 and December 31, 2012, respectively, are as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
<b>Current</b>		
Private investment funds	544,182	317,598
Deposits in guarantee (aircraft)	51,879	33,012
Time deposits	28,181	-
Guarantees for margins of derivatives	28,157	121,889
Certificate of deposit (CBD)	2,374	77,316
Other investments	1,583	799
Domestic and foreign bonds	351	748
Financial letters	-	73,611
Other guarantees given	<u>4,822</u>	<u>7,466</u>
Total current	<u>661,529</u>	<u>632,439</u>
<b>Non-current</b>		
Deposits in guarantee (aircraft)	49,893	37,247
Deposits in guarantee (loan)	11,753	29,344
Other investments	506	507
Other guarantees given	<u>3,137</u>	<u>5,879</u>
Total non-current	<u>65,289</u>	<u>72,977</u>
Total other financial assets	<u><u>726,818</u></u>	<u><u>705,416</u></u>

## (b) Hedging assets

Hedging assets as of December 31, 2013 and December 31, 2012, are as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
Interest accrued since the last payment date of currency Swap	483	-
Fair value of interest rate derivatives	6	6
Fair value of foreign currency derivatives	32,058	-
Fair value of fuel price derivatives	<u>15,868</u>	<u>4,098</u>
Total current	<u>48,415</u>	<u>4,104</u>
Non-current		
Fair value of foreign currency derivatives	-	95
Fair value of fuel price derivatives	<u>-</u>	<u>1,023</u>
Total non-current	<u>-</u>	<u>1,118</u>
Total hedging asset	<u><u>48,415</u></u>	<u><u>5,222</u></u>

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 21.

## NOTE 13 - OTHER NON-FINANCIAL ASSETS

The composition of Other non-financial assets is as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
(a) Advance payments	56,392	45,826
(b) Other assets	279,225	238,578
Total current	<u>335,617</u>	<u>284,404</u>
Non-Current		
(a) Advance payments	55,889	39,707
(b) Other assets	216,387	268,280
Total non-current	<u>272,276</u>	<u>307,987</u>

## (a) Advance payments

Advance payments as of December 31, 2013 as of December 31, 2012 are as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
Aircraft leases	28,555	18,703
Aircraft insurance and other	13,180	12,643
Handling and ground handling services	286	158
Others	14,371	14,322
Total current	<u>56,392</u>	<u>45,826</u>
Non-Current		
Aircraft leases	17,332	20,732
Others	38,557	18,975
Total non-current	<u>55,889</u>	<u>39,707</u>
Total advance payments	<u>112,281</u>	<u>85,533</u>

## (b) Other assets

Other assets as of December 31, 2013, and December 31, 2012 are as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
Aircraft maintenance reserve (*)	152,797	123,299
Sales tax	120,215	106,736
Others taxes	5,556	7,847
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	657	696
Total current	<u>279,225</u>	<u>238,578</u>
Non-current		
Aircraft maintenance reserve (*)	79,012	140,116
Judicial deposits	70,380	54,336
Sales tax	65,936	73,050
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	515	474
Others	544	304
Total non-current	<u>216,387</u>	<u>268,280</u>
Total other assets	<u>495,612</u>	<u>506,858</u>

(\*)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 (10 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, 2013, LATAM had ThUS\$231,809 in maintenance reserves (ThUS\$ 263,416 at December 31, 2012), corresponding to 21 aircraft out of a total fleet of 339 (24 aircraft out of a total fleet of 327 at December 31, 2012). 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 14 - NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Non-current assets and disposal groups held for sale as of December 31, 2013, and December 31, 2012 are as follows:

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Aircraft	438	44,878
Rotables	1,362	1,184
Inventories on consignment	8	686
Engines	272	542
Scrapped aircraft	<u>365</u>	<u>365</u>
Total	<u><u>2,445</u></u>	<u><u>47,655</u></u>

During 2012, two A318-100 aircraft were transferred from the heading of Property, plant, and equipment to Non-current assets or groups of assets for disposal classed as held for sale. These two aircraft were sold during the first quarter of 2013.

Moreover, during the fourth quarter of 2013, a Boeing B737-200 and four ATR42-300 aircraft were sold.

The figures shown in this item are presented at book value or fair value minus sales cost, whichever is lower.

The Company has no discontinued operations as of December 31, 2013.

## NOTE 15 - 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.

The detail of significant subsidiaries and summarized financial information at December 31, 2013 and December 31, 2012 is presented below:

Significant subsidiaries detailed as of December 31, 2013

<u>Name of significant subsidiary</u>	<u>Country of incorporation</u>	<u>Functional currency</u>	<u>% Ownership</u>	<u>Nature and scope of significant restrictions on transferring funds to controller</u>
Lan Perú S.A.	Peru	US\$	69.97858	Without significant restrictions
Lan Cargo S.A.	Chile	US\$	99.89803	Without significant restrictions
Lan Argentina S.A.	Argentina	ARS	94.99055	Without significant restrictions
Transporte Aéreo S.A.	Chile	US\$	99.89804	Without significant restrictions
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US\$	71.94990	Without significant restrictions
Aerovías de Integración Regional, AIRE S.A.	Colombia	COP	99.01646	Without significant restrictions
TAM S.A.	Brazil	BRL	99.99938	Without significant restrictions

Significant subsidiaries detailed as of December 31, 2012

<u>Name of significant subsidiary</u>	<u>Country of incorporation</u>	<u>Functional currency</u>	<u>% Ownership</u>	<u>Nature and scope of significant restrictions on transferring funds to controller</u>
Lan Perú S.A.	Peru	US\$	69.97858	Without significant restrictions
Lan Cargo S.A.	Chile	US\$	99.89803	Without significant restrictions
Lan Argentina S.A.	Argentina	ARS	94.99055	Without significant restrictions
Transporte Aéreo S.A.	Chile	US\$	99.89804	Without significant restrictions
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US\$	71.94990	Without significant restrictions
Aerovías de Integración Regional, AIRE S.A.	Colombia	COP	98.21089	Without significant restrictions
TAM S.A.	Brazil	BRL	99.99938	Without significant restrictions

## Summary financial information of significant subsidiaries

Name of significant subsidiary	Statement of financial position as of December 31, 2013						Results for the period ended December 31, 2013	
	Total	Current	Non-current	Total	Current	Non-current	Revenue	Net Income
	Assets	Assets	Assets	Liabilities	Liabilities	Liabilities		
	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)

## Summary financial information of significant subsidiaries

Name of significant subsidiary	Statement of financial position as of December 31, 2012						Results for the period ended December 31, 2012	
	Total	Current	Non-current	Total	Current	Non-current	Revenue	Net Income
	Assets	Assets	Assets	Liabilities	Liabilities	Liabilities		
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Lan Perú S.A.	159,361	133,448	25,913	150,319	149,263	1,056	1,047,106	2,513
Lan Cargo S.A.	727,091	172,856	554,235	371,663	169,501	202,162	292,066	(50,693)
Lan Argentina S.A.	165,961	144,463	21,498	141,454	139,653	1,801	538,328	9,152
Transporte Aéreo S.A.	357,725	249,174	108,551	114,302	26,731	87,571	373,157	11,144
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	74,204	40,531	33,673	71,284	68,068	3,216	305,177	(14,077)
Aerovías de Integración Regional, AIRES S.A.	165,032	58,457	106,575	58,398	46,434	11,964	283,870	(75,522)
TAM S.A. (*)	8,821,298	2,003,122	6,818,176	9,198,899	3,556,778	5,642,121	3,633,592	(75,195)

(\*) Corresponds to consolidated information of TAM S.A. and Subsidiaries.

## NOTE 16 - EQUITY ACCOUNTED INVESTMENTS

The composition of investments accounted for using the equity method is as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
(a) Related companies	3,572	1,619
(b) Joint Ventures	<u>3,024</u>	<u>2,138</u>
Equity accounted investments	<u><u>6,596</u></u>	<u><u>3,757</u></u>

## (a) Related Companies

The following summarized financial information is the sum of the financial statements of the investees, corresponding to the statements of financial position as of December 31, 2013 and December 31, 2012, and the statements of income, for the periods ended at December 31, 2013, and December 31, 2012.

As of December 31, 2013

	<u>Assets</u> ThUS\$	<u>Liabilities</u> ThUS\$
Current	2,147	670
Non-current	<u>331</u>	<u>109</u>
Total	<u><u>2,478</u></u>	<u><u>779</u></u>

As of December 31, 2012

	<u>Assets</u> ThUS\$	<u>Liabilities</u> ThUS\$
Current	3,193	1,421
Non-current	419	109
Total	<u><u>3,612</u></u>	<u><u>1,530</u></u>

	As of December 31,	
	<u>2013</u> ThUS\$	<u>2012</u> ThUS\$
Total operating revenues	3,212	3,704
Total expenses	<u>(2,533)</u>	<u>(2,759)</u>
Sum of net income	<u><u>679</u></u>	<u><u>945</u></u>

As an investment in associates, the Company has shown its holdings in the following companies: Austral Sociedad Concesionaria S.A. and Lufthansa Lan Technical Training S.A. The Company made no investments in associates during 2013.

<u>Company</u>	<u>Country of incorporation</u>	<u>Functional currency</u>	<u>Percentage of ownership</u>		<u>Cost of investment</u>	
			<u>As of</u>	<u>As of</u>	<u>As of</u>	<u>As of</u>
			<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
			<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			%	%	ThUS\$	ThUS\$
Austral Sociedad Concesionaria S.A.	Chile	CLP	20.00	20.00	661	661
Lufthansa Lan Technical Training S.A.	Chile	CLP	50.00	50.00	702	702

These companies do not have significant restrictions on the ability to transfer funds.

The movement of investments in associates between January 1, 2012 and December 31, 2013 is as follows:

	ThUS\$
Opening balance as of January 1, 2012	991
Participation in profits	295
Adjustment to participation in previous years profits	(178)
Dividends received	(352)
Other increases, investments in associated entities	863
Total changes in investments in associated entities	628
Closing balance as of December 31, 2012	<u>1,619</u>
Opening balance as of January 1, 2013	1,619
Participation in profits	341
Other increases, investments in associated entities	1,612
Total changes in investments in associated entities	1,953
Closing balance as of December 31, 2013	<u>3,572</u>

The Company records the gain or loss on its investments in associates on a monthly basis in the consolidated statement of income, using the equity method. The Company has no investments in associates which are not accounted for using the equity method.

## (b) Joint Venture

Multiplus S.A., a subsidiary of TAM S.A. and AIMIA Newco UK LLP ("Aimia") jointly control the Companhia Brasileira de Serviços de Fidelização S.A. ("CBSF"). The company was incorporated on April 2, 2012, whose corporate name was changed to Prismah Fidelidade S.A. ("Prismah").

The purpose of Prismah Fidelidade S.A. is the provision of various services, the development of programs related to loyalty programs/customer relationships and sales incentive programs for companies. Their activities include but are not limited to: the customer relationship management, technical and technological consulting, and through points programs or other ways of possible changes, the conversion of loyalty program points.

The shareholding participation in Prismah Fidelidade S.A., does not allow unilateral decisions that affect investment returns. Multiplus S.A. owns 50% of company shares and participation is accounted by the equity method proportional investment, initially recognized at cost. The participation in earnings of the company are recognized in income and the participation in changes in reserves are recognized in reserves of Multiplus S.A.

Movement investment at December 31, 2013

	Amount of shares	ThUS\$
Capital aware - AAG Constituent (*)	500	1
Capital increase - AGE (**) 09/18/2012	6,571,500	3,215
Equity accounted earnings	-	(1,078)
Closing balance at December 31, 2012	<u>6,572,000</u>	<u>2,138</u>
Future advance capital increase	-	4,977
Equity accounted earnings	-	(3,833)
Conversion difference affiliates	-	(258)
Closing balance at December 31, 2013	<u>6,572,000</u>	<u>3,024</u>

(\*) General Assembly Act

(\*\*) Extraordinary General Assembly

The company Prismah Fidelidade S.A. as of December 31, 2013, has the following items:

	As of December 31, <u>2013</u>	As of December 31, <u>2012</u>
Social capital ThUS\$	16,323	6,432
Number of ordinary shares	35,200,194	13,144,000
Ordinary shares owned by Multiplus S.A.	17,600,097	6,572,000
Participation %	50	50
	<u>ThUS\$</u>	<u>ThUS\$</u>
Equity accounted investments	3,024	2,138
Current assets	6,985	4,356
Non-current assets	1,481	2,275
Current liabilities	2,418	2,356
	For the periods ended December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Result of the period	(7,665)	(1,065)
Equity accounted earnings	(3,833)	(533)
Revenues in the period	1,091	9
Expense in the period	(8,756)	(1,075)

## NOTE 17 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

Classes of intangible assets (net)	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Computer software	143,124	144,244
Developing software	46,075	54,635
Airport slots	1,361,807	1,561,130
Loyalty program	453,907	520,344
Trademarks	88,314	101,240
Other assets	81	806
Total	2,093,308	2,382,399

Classes of intangible assets (gross)	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Computer software	278,721	223,586
Developing software	46,075	54,635
Airport slots	1,361,807	1,561,130
Loyalty program	453,907	520,344
Trademarks	88,314	101,240
Other assets	808	1,372
Total	2,229,632	2,462,307

The movement in Intangible assets other than goodwill between January 1, 2012 and December 31, 2013 is as follows:

	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, 2012	25,124	39,395	-	-	404	64,923
Additions	18,769	43,632	-	24	-	62,425
Withdrawals	(1,636)	-	-	(2)	-	(1,638)
Transfer software	55,618	(51,391)	-	-	-	4,227
Acquisitions through business combinations	78,106	22,864	1,552,016	617,934	561	2,271,481
Difference by subsidiaries conversion	(757)	135	9,114	3,628	3	12,123
Amortization	(30,980)	-	-	-	(162)	(31,142)
Closing balance as of December 31, 2012	144,244	54,635	1,561,130	621,584	806	2,382,399
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)
Subsidiaries conversion difference	(5,542)	(4,894)	(199,323)	(79,363)	(72)	(289,194)
Amortization	(56,258)	-	-	-	(161)	(56,419)
Closing balance as of December 31, 2013	143,124	46,075	1,361,807	542,221	81	2,093,308

The airport slots correspond to an administrative authorization for the arrival and departure of aircraft, in a specific airport, within a period of time.

The coalition and loyalty program corresponds to the system of accumulation and redemption of points that has developed Multiplus.

Intangible assets with defined useful lives consist primarily of licensing and computer software, for which the Company has established useful lives of between 3 and 7 years.

Intangible assets with undefined useful lives are tested annually for impairment 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 18.1.)

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, 2013 amounts to ThUS\$ 135,597 (ThUS\$ 79,342 as of December 31, 2012). The accumulated amortization of other identifiable intangible assets as of December 31, 2013 amounts to ThUS\$ 727 (ThUS\$ 566 as of December 31, 2012).

(\*) See Note 2.5

## NOTE 18 – GOODWILL AND BUSINESS COMBINATION

## 18.1. Goodwill

The goodwill represents the excess of cost of acquisition over the fair value of the participation of the Company in the identifiable net assets of the subsidiaries at the acquisition date. Goodwill at December 31, 2013 amounted to ThUS\$ 3,727,605 (ThUS\$ 4,213,160 as revised at December 31, 2012).

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, performed impairment tests based on value in use and no impairment was identified. These tests are done at least once per year.

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

- Long-term growth rate: We used a growth rate between 2.0% and 4.0% per year.
- Exchange rate R\$ / US\$: we used a rate between 2.40 and 3.50 R\$ / US \$, in line with the expectations of the central bank of Brazil.
- Discount rate: based on the weighted average cost of capital (WACC) we used a rate between 10.0% and 12.0%.
- Fuel Price: prices are used in a range of 124.50 and 130.50 US\$ / barrel, from futures price curves commodities markets.

## Coalition and loyalty program Multiplus CGU (\*)

- Long-term growth rate: We used a growth rate between 4.0% and 7.0% per year.
- Exchange rate R\$ / US\$: we used a rate between 2.40 and 3.50 R\$ / US \$, in line with the expectations of the central bank of Brazil.
- Discount rate: based on cost of equity (CoE) we used a rate between 20.0% and 25.0%.

(\*) For the Coalition and loyalty program Multiplus CGU 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:

Air transportation CGU

- Using a discount rate up to 12.0%
- Using a minimum growth rate of 2.0%

Coalition and loyalty program Multiplus CGU

- Using a discount rate up to 24.5%
- Using a minimum growth rate of 4.5%

In none of the previous cases was presented an impairment.

The movement of Goodwill from January 1, 2012 to December 31, 2013, is as follows:

	Air transportation (**) ThUS\$	Coalition and loyalty program Multiplus (**) ThUS\$	Total ThUS\$
Opening balance as of January 1, 2012	163,777	-	163,777
Additions by business combinations	2,118,057	-	2,118,057
Amendment initial recognition (*)	1,051,645	846,285	1,897,930
Increase (decrease) due to			
exchange rate differences	28,427	4,969	33,396
Closing balance as of December 31, 2012	<u>3,361,906</u>	<u>851,254</u>	<u>4,213,160</u>
Opening balance as of January 1, 2013	3,361,906	851,254	4,213,160
Others	44,860	-	44,860
Increase (decrease) due to			
exchange rate differences	(421,729)	(108,686)	(530,415)
Closing balance as of December 31, 2013	<u>2,985,037</u>	<u>742,568</u>	<u>3,727,605</u>

(\*) The amendments to initial recognition includes: changes in fair values determined in accordance with IFRS 3 during the measurement period, including Goodwill allocation to loyalty coalition program of Multiplus and correction of non-significant errors originated before the date of acquisition.

(\*\*) The amounts presented in December 2012 have been revised in accordance with IFRS 3 during the measurement period.

## 18.2. Business combination

The following information summarizes the business combination process with TAM S.A. and subsidiaries:

- (a) Description of the business combination process with TAM S.A. and Subsidiaries
- (b) Business combination in accordance with IFRS 3
- (c) Revision of the consolidated financial statements for the 2012 accounting period
- (d) Other information

### (a) Description of the Business Combination process with TAM S.A and Subsidiaries

Dated June 22, 2012 the merger was successfully completed between LAN Airlines S.A. (today LATAM Airlines Group S.A.), with Sister Holdco S.A. and Holdco II S.A., two companies specially constituted for the purpose of the association between the Company and TAM S.A. which was reflected in the deed of execution of merger issued by such companies at the same time, and it was rectified by deed dated July 10, 2012. These scriptures recorded the share exchange of Sister Holdco S.A. and Holdco II S.A. for LAN's shares in one related of 0.9 of LAN's shares for each Sister Holdco S.A. and Holdco II S.A.. That exchange occurred with the delivery of the respective LAN shares to shareholders of Sister Holdco S.A. and the respective BDRs ("Brazilian Depositary Receipts") and ADRs ("American Depositary Receipts") from LAN to the shareholders of Holdco II S.A. abroad on June 27, 2012, that is, TAM shareholders who accepted the exchange offer.

The share exchange offer materialized with the exchange previously referenced was 99.9% of the TAM shares that accepted that TAM would stop being a public company in Brazil, which fulfilled the condition for the cancellation of registration, requirement for the success of the exchange offer.

The capital increase in LATAM Airline S.A originated in the merger is determined by the social capital amount of Sister Holdco S.A. and Holdco II S.A., equivalent to ThUS\$ 951,409. The difference between this value and the purchase price (Note 18.2.b), amounting to ThUS\$ 2,665,692 was included in "Other reserves" during 2012.

On July 27, 2012, TAM made use of the Squeeze-Out granted by the Brazilian legislation, under which a compulsory could rescue all TAM shares that were not exchanged in the exchange offer or contributed by controlling shareholders of TAM. Since TAM shares received in the exchange offer, plus the shares committed by the controlling shareholders of TAM, represented 95.9% of the total outstanding shares of TAM, the aforementioned condition was met on the remaining 4.1% through the disbursement by TAM of ThUS\$ 165,143.

As a consequence of the end of that process: (i) concluded the process of Business Combination of LAN and TAM, and (ii) the renaming of LAN Airlines S.A. to LATAM Airlines Group S.A. became effective.

The costs incurred by LATAM Airline Group S.A. to make the Business Combination amounts to ThUS\$ 50,647 for the year ended December 31, 2012, and were recorded in the Income statement when they were incurred.

The ownership structure of TAM, after the business combination, is as follows:

TAM S.A.

Class of shares	Holdco I S.A.		LATAM Airlines Group S.A.		Total
	Shares	%	Shares	%	Shares
ON (voting rights)	55,413,784	100.00	-		55,413,784
PN (non-votings rights)	-		94,718,931	100.00	94,718,931
Total	<u>55,413,784</u>		<u>94,718,931</u>		<u>150,132,715</u>

Holdco I S.A.

Class of shares	TEP Chile S.A. (owned by the controlling shareholders of TAM)		LATAM Airlines Group S.A.		Total
	Shares	%	Shares	%	shares
Serie A (voting rights)	938	80.58	226	19.42	1,164
Serie B (economic right)	-		55,413,621	100.00	55,413,621
Total	<u>938</u>		<u>55,413,847</u>		<u>55,414,785</u>

TAM is a leading airline in Brazil, with more than 35 years in operation, and as of the date of the business combination it boasted: over 30,000 employees, a fleet of more than 160 aircraft, annual sales surpassing US\$7.3 billion, and a 2011 Brazilian market share of 41.2% domestically, and 88.1% of international flights operated by Brazilian-flagged airlines. It is appropriate to point out that Multiplus S.A., a company controlled by TAM S.A., is engaged in the development and administration of client loyalty programs. Multiplus S.A. has been registered in the "Novo Mercado" section on the BMF&Bovespa exchange since February 3, 2010.

Under IFRS 3 this operation has been registered as a business combination consigning to the Company as purchaser of TAM. Besides the fact that LATAM is the one who issuing the shares in the combination, this is based on the economic rights and relative vote relating of the former shareholders of LAN and TAM over the combined entity.

## (b) Business combination in accordance with IFRS 3 (\*)

IFRS 3 establishes principles and requirements for how the acquirer:

- i. Recognizes and measure the consideration paid;
- ii. Recognizes and measure fair value of identifiable net assets acquired; and
- iii. Recognizes and measure the goodwill acquired.

IFRS 3 provides the acquirer with a reasonable time (measurement period) to obtain the information necessary to identify and measure the three points mentioned above as of the acquisition date. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period shall not exceed one year from the acquisition date (June 22, 2012). Therefore, some amounts reported in previous financial statements as provisional amounts because the accounting was incomplete have been retrospectively adjusted.

## (i) Consideration paid

The following summarizes the consideration paid for TAM S.A. and subsidiaries:

Number of shares LAN Exchange (a)	Share price at fair value at June 22 exchange rate at June 22 US\$ (b)	Total exchange of shares ThUS\$ (a) times (b)	Squeeze Out At July 27 at t/c June 22 ThUS\$	Total purchase price ThUS\$
<u>135,119,066</u>	<u>26.76973</u>	<u>3,617,101</u>	<u>165,143</u>	<u>3,782,244</u>

Value of the share at June 22, 2012 CLP\$ 13,489

Exchange rate as of June 22, 2012 503.89 CLP\$/US\$

Consideration paid was calculated, in accordance with IFRS 3, as the sum of the fair value of the LAN shares provided and the Squeeze-Out cash payment explained in Note 18.2.(a).

(\*) See note 2.2

## (ii) Fair value of identifiable assets acquired and liabilities assumed.

The following table summarizes the fair value of recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date.

	Fair <u>value</u> ThUS\$
Cash and cash equivalents	263,986
Other financial assets	810,079
Other non-financial assets	324,170
Trade and other accounts receivable	1,004,331
Inventories	66,287
Tax assets	145,626
Assets held for sale	8,865
Airport Slots	1,472,625
Loyalty program	517,304
Other intangible assets	281,552
Fleet	3,178,065
Other property, plant and equipment	1,063,036
Other financial liabilities	(4,802,902)
Other non-financial liabilities	(1,445,463)
Trade and other accounts payables	(1,473,579)
Other provisions	(1,429,012)
Employee benefits	(18,580)
Tax liabilities	(65,185)
Deferred tax	(31,940)
Accounts payable to related entities	(82)
Net assets at fair value	<u><u>(130,817)</u></u>

- The airport slots (landing and take-offs) have been measured at fair value at the date of the combination, using the net present value of projected Earning Before Interest and Taxes (EBIT) of those routes going through those airports where slots were acquired as part of the business combination (Congonhas, JFK and Heathrow); and its useful lives are classified as indefinite, which shall be subject to impairment test annually.
- Customer loyalty program “Multiplus” fair value has been measured using estimated discounted cash flows related to the mentioned intangible as of the acquisition date and its useful lives are classified as indefinite, which shall be subject to impairment test annually.
- Fair value of fleet was measured using market values and considering model, age and actual maintenance conditions of each airplane. Additionally, in relation with those airplanes under operative lease, maintenance cost and devolution cost have been provided for.
- Fair value of Other provisions is related with the recognition of contingent liabilities assumed in a business combination even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, according to IFRS 3.
- As part of the purchase price allocation required under IFRS 3 carried out during the first half of 2013, errors were identified and corrected that were not material to the LATAM consolidated financial statement. These errors originated from TAM S.A. and Subsidiaries.

## iii. Goodwill acquired

The financial statements of LATAM Airlines Group S.A. include goodwill recorded to the value of ThUS\$ 4,015,987 calculated and assigned to corresponding segments. The following table summarizes the consideration paid, the fair value of assets acquired, liabilities assumed, non-controlling interest and goodwill acquired at the acquisition date.

	ThUS\$	ThUS\$
Purchase price		<u>3,782,244</u>
<u>Less :</u>		
Historic net assets	578,559	
Fair value adjustment:		
Airport Slots	(1,472,625)	
Loyalty program	(517,304)	
Fleet (included maintenance)	723,364	
Other provisions	1,157,419	
Error correction	584,126	
Deferred tax	104,342	
Other	<u>130,054</u>	
Total adjustment	<u>709,376</u>	
Total net assets at fair value	(130,817)	(130,817)
Non-controlling interest		<u>102,926</u>
Goodwill restated at June 22, 2012		<u>4,015,987</u>

The following table summarizes Goodwill acquired by segments.

	Goodwill restated at June 22, 2012 ThUS\$
Goodwill assigned Air transportation CGU	3,169,702
Goodwill assigned Coalition and loyalty program Multiplus CGU	<u>846,285</u>
Total Goodwill	<u>4,015,987</u>

Non-controlling interest have been measured and recognized at fair value.

## (c) Retrospective revision to LATAM 2012 consolidated financial statements.

As required by IFRS, during the first half of 2013, based on new information obtained about facts and circumstances that existed as of the acquisition date, Latam Airlines Group S.A. has retrospectively adjusted the amounts presented in the December 31, 2012 consolidated financial statements. Adjustments are related to the fair value of: fleet, customer loyalty programs and provisions, and to non-material errors identified related to Deferred income and Tax liabilities that existed before the acquisition date relating to TAM S.A. and Subsidiaries.

- The impact of the fair value adjustments mentioned above at December 31, 2012 increased total assets by US\$ 485 million, increased total liabilities by US\$ 1.039 million and decreased net results by US\$ 19 million for the period then ended.
- The errors correction mentioned above at December 31, 2012 had an impact of US\$ 416 million in relation with Revenue and deferred revenue, US\$ 183 million in relation with Taxes and Income taxes, and US\$ 11 million (loss) for the period then ended.

The revised amounts of the statement of financial position at June 22, 2012, date of the business combination of TAM S.A. and its subsidiaries are as follows:

	Fair value at June 22, 2012		Variation	Fair value modification	Errors on	Errors on
	published at June 30, 2013	published at december 31, 2012			Revenue and deferred revenue cycle	Tax and deferred taxes cycle
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Unaudited						
Cash and cash equivalents	263,986	263,986	-	-	-	-
Other financial assets	810,079	810,079	-	-	-	-
Other non-financial assets	324,170	333,086	(8,916)	(8,916)	-	-
Trade and other accounts receivable	1,004,331	1,035,692	(31,361)	(15,686)	(15,675)	-
Inventories	66,287	69,823	(3,536)	(3,434)	(102)	-
Tax assets	145,626	156,215	(10,589)	(28,897)	(22)	18,330
Assets held for sale	8,865	8,865	-	-	-	-
Airport slots	1,472,625	1,472,625	-	-	-	-
Loyalty programs	517,304	-	517,304	517,304 (a)	-	-
Other intangible assets	281,552	268,190	13,362	13,385	(23)	-
Fleet	3,178,065	3,176,372	1,693	1,693	-	-
Other property, plant and equipment	1,063,036	1,057,220	5,816	5,816	-	-
Other financial liabilities	(4,802,902)	(4,802,902)	-	-	-	-
Other non-financial liabilities	(1,445,463)	(1,064,782)	(380,681)	16,847	(397,528)	-
Trade and other accounts payables	(1,473,579)	(1,077,784)	(395,795)	(406,153) (b)	10,358	-
Other provisions	(1,429,012)	(634,076)	(794,936)	(742,180) (c)	-	(52,756)
Employee benefits	(18,580)	-	(18,580)	(18,580)	-	-
Tax liabilities	(65,185)	(65,185)	-	-	-	-
Deferred taxes	(31,940)	(22,109)	(9,831)	136,877	-	(146,708)
Accounts payable to related entities	(82)	(82)	-	-	-	-
Net assets at fair value	(130,817)	985,233	(1,116,050)	(531,924)	(402,992)	(181,134)

The main changes made to the fair value correspond to:

(a) Loyalty program

Complementing the mentioned in Note 18.2 (b) ii, the company has recognized as an intangible asset the loyalty program and coalition of Multiplus. The program provides a system of coalition flexible and interrelated among its partners and members, which allows a considerable increase in consumer loyalty. This program has been valued at fair value using the income approach, through cash flows from the margins attributed to intangible. His life has been regarded as indefinite, based on the ability to maintain and renew the relationship between strategic partners among others aspects.

(b) Trade and other accounts payables

The main fair values reflected in this category are:

- Maintenance liability: It has been adjusted the initial valuation of major maintenance of the leased fleet, taking into consideration the detailed review of all lease contracts and updates the initial calculation (ThUS\$ 303,377).
- Aircraft return provision: There was registered a provision to cover the additional cost related with the return of aircraft. This is for the portion accrued at the date of the business combination (ThUS\$ 38,818).
- Aircraft operating leasing adjustment: There was registered a provision for the difference between the fair value and the real value of future rents under operating leasing (ThUS\$ 53,600).

(c) Other provision

The fair value of other provision, correspond to those contingencies with a probability of loss under 50%, which are not provided for the normal application of IFRS enforcement and that only must be registered in the context of a business combination in accordance with IFRS 3.

The detailed fair values for other provision are as follows:

	ThUS\$	ThUS\$
Civil cases		3,398
Labor disputes		(5,524)
Litigation and tax criteria		744,306
Direct taxes	516,292	
Indirect taxes	228,014	
Total		<u><u>742,180</u></u>

Civil cases correspond to approximately 7,000 cases involving different demands of civil order, filed against of TAM S.A. and Subsidiaries and whose loss probability is less than 50%.

The labor disputes are approximately 2,200 cases involving different demands of labor order, filed against of TAM S.A. and Subsidiaries and whose loss probability is less than 50%.

The litigation and tax criteria correspond to approximately 500 cases involving to the tax treatment applicable to direct and indirect taxes, which are found in both administrative and judicial stage, and whose probability of loss is less than 50%.

In the process of determining the fair values of the net assets of TAM S.A. and its Subsidiaries, at the date of the business combination, non-significant errors were detected within the LATAM's consolidated financial statement, in Deferred income and Tax liabilities. These errors originated from TAM S.A. and Subsidiaries and the nature of these errors correspond to:

- Revenue and deferred revenue cycle

Differences between the general ledger and the sub-ledger, corresponding to deferred revenue not recognized related with unused tickets.

The correction of this difference resulted in decreases in the following items of the Statement of financial position of TAM S.A. and its Subsidiaries at June 22, 2012: Trade and other accounts receivable for ThUS\$ 15,675, other items of assets for ThUS\$ 147 and Trade payables and other accounts payable ThUS\$ 10,358, and increases in Other financial liabilities non-current of ThUS\$ 397,528.

- Tax and deferred taxes cycle

Errors in the determination of annual taxable income used to calculate of deferred tax and the re-calculation and correction of statements, product of changes in the method of determination of tax credits.

The corrections of this errors resulted in the increase of the following items of the Statement of financial position of TAM S.A. and its Subsidiaries at June 22, 2012: Tax assets for ThUS\$ 18,330, Other long term provision for ThUS\$ 52,756 and Deferred tax liabilities for ThUS\$ 146,708.

The adjustments to LATAM Airlines Group SA and subsidiaries, for each type of error between the acquisition date and December 31, 2012 were:

- Revenue and deferred revenue cycle

During this period the adjustments are complementary to the error correction made at the acquisition date, and the main modified items are: Trade and other accounts receivables (increase of ThUS\$ 40,856) and Other financial liabilities non-current (increase of ThUS\$ 50,393) with effect Revenue (loss of ThUS\$ 10,236).

- Tax and deferred taxes cycle

During this period the adjustments are complementary to the error correction made at the acquisition date, and the main modified items are: Other provisions non-current (increase of ThUS\$ 1,581) and Deferred tax liabilities (decrease of ThUS\$ 1,139) with effect on Revenue (loss of ThUS\$ 1,581) and loss tax expense (less expense of ThUS\$ 1,139).

The effects resulting from the fair value adjustments and errors correction at December 31, 2012 were the following:

	Revised amounts for the year ended at december 31, 2012	Historical amounts for the year ended at december 31, 2012	Variation	Fair value modification	Errors on Revenue and deferred revenue cycle	Errors on Tax and deferred taxes cycle
		ThUSS	ThUSS	ThUSS	ThUSS	ThUSS
Revenue	9,710,372	9,722,189	(11,817)	-	(10,236)	(1,581)
Cost of sale	(7,634,453)	(7,642,643)	8,190	8,190 (*)	-	-
Gross margin	2,075,919	2,079,546	(3,627)	8,190	(10,236)	(1,581)
Other income	220,156	220,156	-	-	-	-
Distribution cost	(803,619)	(803,619)	-	-	-	-
Administrative expenses	(888,654)	(869,504)	(19,150)	(19,150 (**))	-	-
Other expenses	(311,753)	(311,753)	-	-	-	-
Other gains / (losses)	(45,831)	(38,750)	(7,081)	(7,081) (*)	-	-
Gains (losses) from operating activities	246,218	276,076	(29,858)	(18,041)	(10,236)	(1,581)
Financial income	77,489	77,489	-	-	-	-
Financial cost	(294,598)	(294,598)	-	-	-	-
Equity accounted earning	972	972	-	-	-	-
Forcing exchange gains / (losses)	66,685	66,685	-	-	-	-
Result of indexation units	(22)	(22)	-	-	-	-
Income (loss) before taxes	96,744	126,602	(29,858)	(18,041)	(10,236)	(1,581)
Income (loss) tax expenses	(102,386)	(102,212)	(174)	(1,313)	-	1,139
NET INCOME (LOSS) FOR THE PERIOD	(5,642)	24,390	(30,032)	(19,354)	(10,236)	(442)
Income (loss) attributable to owners of the parent	(19,076)	10,956	(30,032)	(19,354)	(10,236)	(442)
Income (loss) attributable to non-controlling interest	13,434	13,434	-	-	-	-
Net income (loss) for the period	(5,642)	24,390	(30,032)	(19,354)	(10,236)	(442)

(\*) Correspond mainly to the impact on the results of operating leases' fair value adjustments.

(\*\*) Correspond mainly to the impact on the results of fair value credit card chargeback adjustments.

(d) Other information

The income contribution of TAM S.A. and Subsidiaries during the period of 2012 was ThUS\$ 3,633,592, the net result considered in the consolidated financial statements of the group at December 31, 2012, was a loss of ThUS\$ 75,195.

## NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

The composition by category of Property, plant and equipment is as follows:

	<u>Gross Book Value</u>		<u>Acumulated depreciation</u>		<u>Net Book Value</u>	
	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Construction in progress	858,650	1,153,003	-	-	858,650	1,153,003
Land	59,352	65,307	-	-	59,352	65,307
Buildings	247,263	245,939	(75,478)	(70,869)	171,785	175,070
Plant and equipment	8,461,456	7,942,957	(1,708,668)	(1,635,532)	6,752,788	6,307,425
Own aircraft	7,409,394	6,979,985	(1,347,671)	(1,278,739)	6,061,723	5,701,246
Other	1,052,062	962,972	(360,997)	(356,793)	691,065	606,179
Machinery	73,561	76,956	(41,509)	(41,799)	32,052	35,157
Information technology equipment	182,108	171,568	(135,889)	(131,105)	46,219	40,463
Fixed installations and accessories	97,212	81,252	(46,620)	(38,909)	50,592	42,343
Motor vehicles	75,150	70,706	(51,128)	(48,451)	24,022	22,255
Leasehold improvements	88,641	87,004	(71,872)	(65,276)	16,769	21,728
Other property, plants and equipment	4,791,236	5,814,689	(1,820,679)	(1,870,364)	2,970,557	3,944,325
Financial leasing aircraft	4,618,127	5,659,575	(1,777,980)	(1,830,273)	2,840,147	3,829,302
Other	173,109	155,114	(42,699)	(40,091)	130,410	115,023
Total	<u>14,934,629</u>	<u>15,709,381</u>	<u>(3,951,843)</u>	<u>(3,902,305)</u>	<u>10,982,786</u>	<u>11,807,076</u>

The movement in the different categories of Property, plant and equipment from January 1, 2012 to December 31, 2013 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, 2012	1,087,563	35,673	77,938	4,141,985	22,591	35,098	1,637	31,499	493,998	5,927,982
Additions	34,885	-	17,349	2,803,242	11,626	7,836	458	4,668	154,000	3,034,064
Acquisitions through business combinations	553,781	46,373	87,338	469,650	16,990	1,696	4,099	-	3,061,174	4,241,101
Disposals	(27)	(5,116)	(4,821)	(73,654)	(15)	-	(28)	-	(5)	(83,666)
Transfers (to) from non-current assets (or disposal groups)	(2,256)	(11,895)	-	(49,910)	-	-	-	-	-	(64,061)
Retirements	(281)	-	(1,100)	(136,879)	(951)	(261)	(62)	(82)	(18,799)	(158,415)
Depreciation expenses	-	-	(3,311)	(319,578)	(14,982)	(6,526)	(1,316)	(16,432)	(250,329)	(612,474)
Conversion difference subsidiaries	1,844	272	(2,370)	2,625	3,968	530	(101)	-	16,725	23,493
Other increases (decreases)	(522,506)	-	4,047	(477,366)	1,236	3,970	35	2,075	487,561	(500,948)
Changes, total	65,440	29,634	97,132	2,218,130	17,872	7,245	3,085	(9,771)	3,450,327	5,879,094
Closing balance as of December 31, 2012	1,153,003	65,307	175,070	6,360,115	40,463	42,343	4,722	21,728	3,944,325	11,807,076

(b) As of December 31, 2013

	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	<u>1.153.003</u>	<u>65.307</u>	<u>175.070</u>	<u>6.360.115</u>	<u>40.463</u>	<u>42.343</u>	<u>4.722</u>	<u>21.728</u>	<u>3.944.325</u>	<u>11.807.076</u>
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)
Conversion difference subsidiaries	(53.452)	(5.955)	(12.414)	(71.013)	(3.375)	(1.527)	(286)	(1)	(320.738)	(468.761)
Other increases (decreases)	<u>(258.017)</u>	<u>-</u>	<u>9.529</u>	<u>(384.669)</u>	<u>1.417</u>	<u>11.021</u>	<u>(2.512)</u>	<u>7.542</u>	<u>278.206</u>	<u>(337.483)</u>
Changes, total	<u>(294.353)</u>	<u>(5.955)</u>	<u>(3.285)</u>	<u>447.003</u>	<u>5.756</u>	<u>8.249</u>	<u>(2.978)</u>	<u>(4.959)</u>	<u>(973.768)</u>	<u>(824.290)</u>
Closing balance as of December 31, 2013	<u><u>858.650</u></u>	<u><u>59.352</u></u>	<u><u>171.785</u></u>	<u><u>6.807.118</u></u>	<u><u>46.219</u></u>	<u><u>50.592</u></u>	<u><u>1.744</u></u>	<u><u>16.769</u></u>	<u><u>2.970.557</u></u>	<u><u>10.982.786</u></u>

## (c) Composition of the fleet

Aircraft included in the Company's Property, plant and equipment:

Aircraft	Model	As of December 31, 2013	As of December 31, 2012
Boeing 767	300	3	3
Boeing 767	300ER	34	30
Boeing 767	300F	8	8
Boeing 777	300ER	8	8
Boeing 777	Freighter	2	2
Boeing 787	800	3	3
Airbus A318	100	-	5
Airbus A319	100	39	39
Airbus A320	200	95	76
Airbus A321	200	9	8
Airbus A330	200	8	18
Airbus A340	300	-	2
Airbus A340	500	2	2
Total		<u>211</u>	<u>204</u>

Operating leases:

Aircraft	Model	As of December 31, 2013	As of December 31, 2012
Boeing 767	300ER	6	8
Boeing 767	300F	4	4
Boeing 777	300ER	2	-
Boeing 777	Freighter	2	2
Boeing 787	800	2	-
Airbus A319	100	15	18
Airbus A320	200	65	65
Airbus A321	200	1	1
Airbus A330	200	12	2
Airbus A340	300	4	3
Boeing 737	700	5	6
Bombardier	Dhc8-200	7	10
Bombardier	Dhc8-400	3	4
Total		<u>128</u>	<u>123</u>
Total fleet		<u>339</u>	<u>327</u>

(d) Method used for the depreciation of Property, plant and equipment:

	Method	Useful life	
		<u>minimum</u>	<u>maximum</u>
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.

As a result of the business combination with TAM S.A. and Subsidiaries 65 aircraft were incorporated 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.

Additionally, for the same business combination, 5 aircraft were added under operating lease contracts, which according to the stated policy, are classified as finance leases because the present value of the payments represents most of the economic value of the property. The useful life assigned is 6 years, according to the duration of the 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\$ 830,474 (ThUS\$ 612,474 at December 31, 2012). Depreciation charges for the year are recognized in Cost of sales and administrative expenses in the consolidated statement of income.

## (e) Additional information regarding Property, plant and equipment:

## (i) Property, plant and equipment pledged as guarantee:

In the period ended December 31, 2013, we added direct guarantees for nine Boeing 767-300 aircraft, nineteen Airbus A320 and one Airbus A321 aircraft. Moreover, the Company sold its interest in the permanent establishments Mirlo Leasing LLC, Osprey Leasing Limited, and subsidiary Conure Leasing Limited. Product of the above direct guarantees associated with a Boeing 767-300 aircraft, two aircraft Airbus A320-200s and eight Airbus A319-100 aircraft were eliminated. Additionally, guarantees for seven A318-100 aircraft and two Airbus A340-300 aircraft were removed from their sale.

## Description of Property, plant and equipment pledged as guarantee:

Creditor of guarantee	Assets committed	Fleet	As of December 31, 2013		As of December 31, 2012	
			Existing Debt	Book Value	Existing Debt	Book Value
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Wilmington Trust Company	Aircraft and engines	Boeing 767	1,437,810	1,827,349	1,296,704	1,640,071
		Boeing 777 / 787	777,796	880,470	858,221	937,074
Banco Santander S.A.	Aircraft and engines	Airbus A319	74,042	105,353	81,698	111,458
		Airbus A320	643,945	829,185	626,317	782,609
		Airbus A321	43,071	49,208	-	-
BNP Paribas	Aircraft and engines	Airbus A318	-	-	121,172	150,026
		Airbus A319	209,993	281,846	360,100	501,836
		Airbus A320	199,114	257,857	261,139	333,105
Credit Agricole	Aircraft and engines	Airbus A319	32,251	99,241	44,002	107,625
		Airbus A320	96,774	153,531	68,096	156,355
		Airbus A340	-	-	19,531	105,349
JP Morgan	Aircraft and engines	Boeing 777	259,272	292,486	280,698	324,159
Wells Fargo	Aircraft and engines	Airbus A320	331,854	384,273	-	-
Bank of Utah	Aircraft and engines	Airbus A320	277,622	347,765	-	-
DVB Bank SE	Aircraft and engines	Boeing 767	95,292	151,824	-	-
Total direct guarantee			<u>4,478,836</u>	<u>5,660,388</u>	<u>4,017,678</u>	<u>5,149,667</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, 2013 amounted to ThUS\$ 2,167,470 (ThUS\$ 2,888,753 at December 31, 2012). The book value of assets with indirect guarantees as of December 31, 2013 amounts to ThUS\$ 2,767,593 (ThUS\$ 3,777,715 as of December 31, 2012).

## (ii) Commitments and others

Fully depreciated assets and commitments for future purchases are as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Gross book value of fully depreciated property, plant and equipment still in use	160,116	188,214
Commitments for the acquisition of aircraft (*)	23,900,000	24,500,000

(\*) According to the manufacturer's price list.

In December 2009, the Company signed a purchase commitment with Airbus S.A.S. for the purchase of 30 aircraft of the A320 family with deliveries between 2011 and 2016. Later, in December 2010 the Company signed a new commitment to this manufacturer for the acquisition of 50 aircraft of the same family with deliveries between 2012 and 2016. Additionally, in June 2011, a contract was signed for 20 additional aircraft of the A320 NEO family with deliveries between 2017 and 2018.

With regards to the above, as of December 31, 2013, and as a result of different aircraft purchase contracts signed with Airbus S.A.S., there remain 64 Airbus aircraft of the A320 family to be delivered between 2014 and 2018. The approximate amount is ThUS\$ 5,600,000, according to the manufacturer's price list.

On October 2007, we signed a binding purchase agreement with The Boeing Company for the purchase of 26 Boeing 787 aircraft with deliveries starting in 2012. Moreover, purchase contracts were signed with the same manufacturer in February, May and December 2011, 3, 5 and 2 aircraft 767-300, respectively.

As of December 31, 2013, and as a result of different aircraft purchase contracts signed with The Boeing Company, remain to receive a total of 21 787 Dreamliner aircraft, with delivery dates between 2014 and 2018. The approximate amount, according to the manufacturer's price list, is ThUS\$ 4,300,000. Additionally, the Company has valid purchase options for 15 787 Dreamliner aircraft.

The acquisition of these aircraft is part of the strategic plan for the long-term fleet. This plan also involves the sale of 15 Airbus A318 model between 2011 and 2013. During 2011 the first 5 aircraft were sold, during 2012 another 3 were sold and during 2013 the last 7 aircraft were sold.

Additionally, as a result of the business combination with TAM S.A. and Subsidiaries the following commitments are incorporated:

In November 2006, a purchase commitment was signed with Airbus S.A.S. for the acquisition of 31 A320 family aircraft and 6 A330-200 aircraft, with deliveries between 2007 and 2010. Subsequently, in January 2008 signed a new commitment for the acquisition of 20 additional A320 family aircraft and 4 aircraft A330-200, with deliveries between 2010 and 2014, also signed a purchase commitment for 22 A350 aircraft. In July 2010, signed a purchase commitment for the acquisition of 20 A320 family aircraft with deliveries between 2014 and 2015 and on the same date the option was exercised to purchase 5 A350. In October 2011, a new commitment was signed to this manufacturer for the acquisition of 10 additional aircraft of the A320 family with deliveries between 2016 and 2017, plus 22 family aircraft A320 NEO with deliveries between 2016 and 2018.

With the above, at December 31, 2013, as a result of the different aircraft purchase agreements signed with Airbus S.A.S., remain to receive 58 aircraft Airbus A320 family, with deliveries between 2014 and 2018, and 27 Airbus aircraft A350 family with delivery dates starting from 2015. Additionally, the Company has valid purchase options for 5 Airbus A350.

In December 2008, a new commitment purchase agreement was signed with The Boeing Company for 2 777 aircraft with deliveries in 2013, and in February 2011 an agreement was signed for the purchase of another 2 777 aircraft with deliveries in 2014.

With the above, at December 31, 2013, due to the various purchase contracts signed with The Boeing Company, remain to receive 2 777 aircraft, whose delivery was scheduled for 2014, which has been rescheduled for 2017. Additionally, the Company has valid purchase options for other 2 777 aircraft.

The approximate amount of individual purchase contracts incorporated for the effect of the business combination with TAM S.A. and Subsidiaries is ThUS\$ 14,000,000, according to the manufacturers price list.

(iii) Capitalized interest costs with respect to Property, plant and equipment.

		For the periods ended	
		December 31,	
		<u>2013</u>	<u>2012</u>
Average rate of capitalization of			
capitalized interest costs	%	3.63	2.60
Costs of capitalized interest	ThUS\$	25,625	45,069

## (iv) Financial leases

The detail of the main financial leases is as follows:

<u>Lessor</u>	<u>Aircraft</u>	<u>Model</u>	As of December 31, <u>2013</u>	As of December 31, <u>2012</u>
Agonandra Statutory Trust	Airbus A319	100	4	4
Agonandra Statutory Trust	Airbus A320	200	2	2
Air Canada	Airbus A340	500	2	2
AWMS 1 (AWAS)	Boeing 767	300	3	3
Bluebird Leasing LLC	Boeing 767	300F	-	2
Caiquen Leasing LLC	Boeing 767	300F	1	1
Cernicalo Leasing LLC	Boeing 767	300F	2	2
Chirihue Leasing Trust	Boeing 767	300F	2	-
Codorniz Leasing Limited	Airbus A319	100	2	2
Conure Leasing Limited	Airbus A320	200	2	-
Eagle 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	6
Intraelo BETA Corporation (KFW)	Airbus A320	200	1	1
Juliana Leasing Limited	Airbus A320	200	2	2
Linnet Leasing Limited	Airbus A320	200	4	4
Mirlo Leasing LLC	Boeing 767	300ER	1	-
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	-
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 Infraestructure 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	12	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	3
TMF Interlease Aviation III B.V.	Airbus A320	200	12	12
TMF Interlease Aviation III B.V.	Airbus A321	200	7	7
TMF Interlease Aviation III B.V.	Airbus A330	200	-	10
Wacapou Leasing S.A	Airbus A320	200	1	1
Wells Fargo Bank North National Association (ILFC)	Airbus A330	200	1	1
Total			<u>99</u>	<u>102</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, 2013 the Company had ninety and nine aircraft (one hundred and two aircraft as of December 31, 2012).

During the first quarter of 2013, due to the sale of its participation in the permanent establishments Mirlo Leasing LLC, Osprey Leasing Limited, and subsidiary Conure Leasing Limited, the Company increased its number of aircraft on lease by one Boeing 767-300, two A320-200 and eight Airbus A319-100. Therefore, these aircraft were reclassified from the Plant and equipment category to the category Other property plant and equipment.

Additionally, during the second quarter of 2013 the contracts system applied to ten A330-200 aircraft was changed from financial leasing to operative leasing. As a result, the mentioned aircraft are no longer included under Property, plant, and equipment.

During to the third quarter of 2013, the option was exercised to purchase 3 A330-200. Therefore, these aircraft were reclassified from the Other property plant and equipment category to the category Plant and equipment.

During to the fourth quarter of 2013, the option was exercised to purchase one B767-300 aircraft belonging Eagle Leasing LLC, was reclassified from the Other property plant and equipment category to the category Plant and equipment.

As a result of the business combination 81 aircraft capital leases were added as financial leasing, and during the third quarter of 2012 two more Airbus A320-200 were added in this way.

The book value of assets under financial leases as of December 31, 2013 amounts to ThUS\$ 2,835,840 (ThUS\$ 3,863,193 as of December 31, 2012).

The minimum payments under financial leases are as follows:

As of December 31, 2013

	Gross Value	Interest	Present Value
	ThUS\$	ThUS\$	ThUS\$
No later than one year	462,157	(53,925)	408,232
Between one and five years	1,406,384	(118,702)	1,287,682
Over five years	633,120	(19,562)	613,558
Total	<u>2,501,661</u>	<u>(192,189)</u>	<u>2,309,472</u>

As of December 31, 2012

	Gross Value	Interest	Present Value
	ThUS\$	ThUS\$	ThUS\$
No later than one year	523,033	(66,090)	456,943
Between one and five years	1,687,596	(186,145)	1,501,451
Over five years	1,135,262	(57,455)	1,077,807
Total	<u>3,345,891</u>	<u>(309,690)</u>	<u>3,036,201</u>

## NOTE 20 - TAXES AND DEFERRED TAXES

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 balances of deferred taxes are as follows:

Concept	Assets		Liabilities	
	As of	As of	As of	As of
	December 31,	December 31,	December 31,	December 31,
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(17,152)	(662)	557,845	454,183
Leased assets	(147,074)	-	46,688	268,619
Amortization	(10,778)	15,148	113,579	91,911
Provisions	317,883	34,704	(207,358)	(520,719)
Revaluation of financial instruments	562	5,178	(15,508)	(31,741)
Tax losses	267,189	105,652	(284,339)	(314,926)
Revaluation property, plant and equipment	-	-	(18,544)	(22,892)
Intangibles	-	-	593,325	680,167
Others	(7,668)	3,047	(18,460)	(25,263)
Total	<u>402,962</u>	<u>163,067</u>	<u>767,228</u>	<u>579,339</u>

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 from January 1, 2012 to December 31, 2013 are as follows:

(a) From January 1 to December 31, 2012

	Opening balance	Recognized in consolidated	Recognized in comprehensive	Incorporation by business	Exchange rate	Effect from change in	Others	Ending balance
	Assets/(liabilities)	income	income	combination	variation	tax rate		Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(339,288)	(21,066)	-	(34,512)	(203)	(59,776)	-	(454,845)
Leased assets	(65,240)	(160,147)	-	(31,533)	(186)	(11,513)	-	(268,619)
Amortization	(22,412)	(29,157)	-	(18,614)	(109)	(6,471)	-	(76,763)
Provisions	(37,759)	86,040	-	512,487	3,008	(8,353)	-	555,423
Revaluation of financial instruments	28,788	(7,249)	(2,623)	12,785	138	5,080	-	36,919
Tax losses	118,597	152,022	-	134,833	792	14,334	-	420,578
Revaluation property, plant and equipment	-	(36,931)	-	59,474	349	-	-	22,892
Intangibles	-	-	-	(676,197)	(3,970)	-	-	(680,167)
Others	7,837	410	(2,734)	34,577	(165)	1,080	(12,695)	28,310
Total	<u>(309,477)</u>	<u>(16,078)</u>	<u>(5,357)</u>	<u>(6,700)</u>	<u>(346)</u>	<u>(65,619)</u>	<u>(12,695)</u>	<u>(416,272)</u>

(b) From January 1 to December 31, 2013

	Beginning balance asset (liability)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Others	Ending balance 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	<u>(416,272)</u>	<u>93,119</u>	<u>(19,345)</u>	<u>(22,777)</u>	<u>1,009</u>	<u>(364,266)</u>

Deferred tax assets not recognized:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Tax losses	<u>6,538</u>	<u>1,439</u>
Total Deferred tax assets not recognized	<u><u>6,538</u></u>	<u><u>1,439</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\$ 6,538 (ThUS\$ 1,439 at December 31, 2012) compared to a loss of ThUS\$ 28,855 (ThUS\$ 5,265 at December 31, 2012) to offset against future years tax benefits.

Expense (income) for deferred and current income taxes for the periods ended at December 31, 2013 and December 31, 2012, respectively, are as follows:

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Expense for current income tax		
Current tax expense	73,611	34,563
Adjustment to previous period's current tax	(561)	(13,886)
Other current tax expense	-	12
Total current tax expense, net	<u>73,050</u>	<u>20,689</u>
Expense for deferred income taxes		
Deferred expense for taxes related to the creation and reversal of temporary differences	(92,863)	80,293
Reduction (increase) in value of deferred tax assets during the evaluation of its usefulness	(256)	1,404
Total deferred tax expense, net	<u>(93,119)</u>	<u>81,697</u>
Income tax expense	<u>(20,069)</u>	<u>102,386</u>

Composition of income tax expense (income):

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Current tax expense, net, foreign	61,118	30,827
Current tax expense, net, Chile	11,932	(10,138)
Total current tax expense, net	<u>73,050</u>	<u>20,689</u>
Deferred tax expense, net, foreign	(112,047)	(53,842)
Deferred tax expense, net, Chile	18,928	135,539
Deferred tax expense, net, total	<u>(93,119)</u>	<u>81,697</u>
Income tax expense	<u>(20,069)</u>	<u>102,386</u>

## Reconciliation of tax expense using the legal rate to the tax expense using the effective rate:

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Tax expense using the legal rate	<u>(61,035)</u>	<u>22,633</u>
Tax effect of legal rate change	-	70,441 (*)
Tax effect of rates in other jurisdictions	(34,287)	(10,512)
Tax effect of non-taxable operating revenues	(24,004)	(7,029)
Tax effect of disallowable expenses	98,211	27,437
Other increases (decreases) in legal tax charge	1,046	(584)
Total adjustments to tax expense using the legal rate	<u>40,966</u>	<u>79,753</u>
Tax expense using the effective rate	<u>(20,069)</u>	<u>102,386</u>

## Reconciliation of legal tax rate to effective tax rate:

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	%	%
Legal tax rate	<u>20.00</u>	<u>20.00</u>
Effect of tax rates for legal rate change	-	62.24 (*)
Effect of tax rates in other jurisdictions	11.24	(9.28)
Effect of tax rate on non-taxable operating revenues	7.87	(6.21)
Effect of tax rate on disallowable expenses	(32.18)	24.24
Other increase (decrease) in legal tax rate	<u>(0.34)</u>	<u>(0.52)</u>
Total adjustment to the legal tax rate	<u>(13.41)</u>	<u>70.47</u>
Total effective tax rate	<u>6.59</u>	<u>90.47</u>

(\*) On September 27, 2012, the Law N° 20,630 was published in the Official Journal that "Improves Tax Legislation and Finance Education Reform". Among the major tax reforms that the amending Law contains, the First Category Tax Rate was modified which must be declared and paid beginning in the 2013 tax year.

Thereby, at December 31, 2012 the Company had tax expense considering the increased rate of 17% to 20%, which meant a higher recorded tax expense by ThUS\$ 70,441.

## Deferred taxes related to items charged to net equity:

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Aggregate deferred taxation of components of other comprehensive income	(19,345)	(5,357)
Aggregate deferred taxation related to items charged to net equity	<u>(3,440)</u>	<u>(257)</u>
Total deferred taxes related to items charged to net equity	<u><u>(22,785)</u></u>	<u><u>(5,614)</u></u>

## Deferred tax effects of the components of other comprehensive income:

	As of December 31, 2013		
	Amount before taxes	Income tax expense (income)	Amount after taxes
	ThUS\$	ThUS\$	ThUS\$
Cash-flow hedges	(128,166)	19,345	(108,821)
Translation adjustment	629,858	-	629,858
		<u>19,345</u>	

  

	As of December 31, 2012		
	Amount before taxes	Income tax expense (income)	Amount after taxes
	ThUS\$	ThUS\$	ThUS\$
Cash-flow hedges	2,510	2,623	5,133
Translation adjustment	(19,170)	2,734	(16,436)
		<u>5,357</u>	

## NOTE 21 - OTHER FINANCIAL LIABILITIES

The composition of Other financial liabilities is as follows:

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
<b>Current</b>		
(a) Interest bearing loans	1,969,281	1,977,255
(b) Derivatives not recognized as a hedge	4,040	4,477
(c) Hedge derivatives	<u>66,466</u>	<u>65,598</u>
Total current	<u><u>2,039,787</u></u>	<u><u>2,047,330</u></u>
<b>Non-current</b>		
(a) Interest bearing loans	7,803,588	7,582,302
(b) Derivatives not recognized as a hedge	1,491	5,515
(c) Hedge derivatives	<u>54,906</u>	<u>111,040</u>
Total non-current	<u><u>7,859,985</u></u>	<u><u>7,698,857</u></u>

## (a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
Loans to exporters	401,263	242,955
Bank loans	602,618	519,762
Guaranteed obligations	455,512	411,313
Other guaranteed obligations	31,109	-
Subtotal bank loans	<u>1,490,502</u>	<u>1,174,030</u>
Obligation with the public	21,761	273,682
Financial leases	423,537	471,896
Other loans	33,481	57,647
Total current	<u>1,969,281</u>	<u>1,977,255</u>
Non-current		
Bank loans	322,207	219,319
Guaranteed obligations	3,776,910	3,432,919
Other guaranteed obligations	64,247	-
Subtotal bank loans	<u>4,163,364</u>	<u>3,652,238</u>
Obligation with the public	1,116,671	1,123,840
Financial leases	1,902,715	2,615,924
Other loans	620,838	190,300
Total non-current	<u>7,803,588</u>	<u>7,582,302</u>
Total obligations with financial institutions	<u><u>9,772,869</u></u>	<u><u>9,559,557</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 repricing of the loan.

Currency balances that make the interest bearing loans at December 31, 2013 and December 31, 2012, are as follows:

<u>Currency</u>	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Argentine peso	43,335	-
Brazilian real	76,674	326,394
Chilean peso	267,554	-
Euro	2,029	1,785
US Dollar	<u>9,383,277</u>	<u>9,231,378</u>
Total	<u><u>9,772,869</u></u>	<u><u>9,559,557</u></u>

## Interest-bearing loans due in installments due at December 31, 2013, at nominal value.

Class of Liability	Debtor tax No	Debtor	Debtor country	Creditor tax No	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective	Total	Nominal
								90 days	90 days to one year	one to three years	three to five years	five years	nominal value		rate	accounting value	rate
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	%	ThUS\$	%	
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US\$	-	30,000	-	-	-	30,000	At Expiration	1.00%	30,022	1.00%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	230,000	-	-	-	-	230,000	At Expiration	1.63%	230,819	1.63%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US\$	-	40,000	-	-	-	40,000	At Expiration	1.06%	40,023	1.06%
		LATAM Airlines Group S.A.	Chile	76.100.458-1	BLADEX	Chile	US\$	100,000	-	-	-	-	100,000	At Expiration	1.87%	100,399	1.87%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	-	-	115,051	-	-	115,051	At Expiration	3.19%	115,204	3.19%
		LATAM Airlines Group S.A.	Chile	97.023.000-9	CORPBANCA	Chile	UF	15,590	46,772	124,724	81,374	-	268,460	Quarterly	4.85%	267,554	4.85%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	Argentina	ARSS	-	15,335	-	-	-	15,335	Monthly	20.75%	15,370	20.75%
		LATAM Airlines Group S.A.	Chile	0-E	BBVA	Argentina	ARSS	-	27,603	-	-	-	27,603	Monthly	23.78%	27,965	23.78%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US\$	2,865	8,808	25,172	27,867	26,831	91,543	Quarterly	5.69%	90,705	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US\$	12,920	34,713	82,646	10,033	-	140,312	Quarterly	1.99%	140,601	1.99%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US\$	2,219	6,745	-	-	-	8,964	Quarterly	3.06%	8,966	2.73%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A	US\$	8,875	27,256	76,985	83,871	221,266	418,254	Quarterly	2.45%	417,306	2.31%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A	US\$	46,007	139,012	378,314	389,759	1,146,684	2,099,776	Quarterly	2.47%	2,003,334	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US\$	9,607	29,315	81,681	87,189	164,399	372,191	Quarterly	2.64%	364,068	2.04%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	5,021	15,237	41,767	43,552	95,022	200,599	Quarterly	1.32%	195,687	1.78%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A	US\$	2,579	7,846	21,655	22,801	63,189	118,070	Quarterly	1.64%	114,484	1.04%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A	US\$	1,264	3,848	10,636	11,210	31,544	58,502	Quarterly	1.63%	56,780	1.04%
		LATAM Airlines Group S.A.	Chile	0-E	US BANK	U.S.A	US\$	13,840	41,995	115,549	120,924	411,684	703,992	Quarterly	2.81%	656,764	2.81%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A	US\$	4,348	13,408	38,018	32,448	84,814	173,036	Quarterly	3.27%	173,741	3.27%
		LATAM Airlines Group S.A.	Chile	-	SWAP Aircraft arrivals	-	US\$	681	1,915	4,104	2,521	765	9,986	Quarterly	-	9,986	-
Other guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	DVB BANK SE	U.S.A	US\$	7,703	23,342	64,247	-	-	95,292	Quarterly	1.99%	95,356	1.99%
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US\$	4,523	13,896	37,656	9,001	-	65,076	Quarterly	3.23%	65,226	3.03%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US\$	4,808	13,833	63,715	7,158	-	89,514	Quarterly	1.21%	89,658	1.21%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US\$	1,430	4,414	12,707	14,254	7,759	40,564	Quarterly	6.38%	40,138	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US\$	13,867	42,702	121,395	108,403	22,407	308,774	Quarterly	5.35%	306,532	4.23%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A	US\$	6,443	19,839	56,989	56,934	7,129	147,334	Quarterly	4.65%	145,826	4.15%
		LATAM Airlines Group S.A.	Chile	0-E	BANC OF AMERICA	U.S.A	US\$	616	1,891	5,392	-	-	7,899	Monthly	1.43%	7,930	1.43%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A	US\$	-	-	170,838	-	-	170,838	At Expiration	1.75%	172,488	1.75%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK (*)	U.S.A	US\$	-	-	79,611	174,178	196,211	450,000	Quarterly	6.00%	454,050	6.00%
Total								495,206	609,725	1,728,852	1,283,477	2,479,705	6,596,965		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 due at December 31, 2013, at nominal value.

Class of Liability	Debtor tax No	Debtor	Debtor country	Debtor tax No	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective	Total	nominal		
								90 days	90 days to one year	one to three years	three to five years	five years	nominal value		rate	accounting value		rate	
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	ThUS\$	%		
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	Brazil	US\$	2,207	41,678	-	-	-	43,885	At Expiration	3.76%	44,719	3.20%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	US\$	9,050	128,799	-	-	-	137,849	At Expiration	5.20%	140,152	4.66%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US\$	26,611	47,219	-	-	-	73,830	At Expiration	6.31%	76,228	4.73%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	US\$	40,626	21,731	-	-	-	62,357	At Expiration	3.73%	63,981	2.94%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL	193	443	48	-	-	684	Monthly	7.42%	669	7.42%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	US\$	74,700	47,641	-	-	-	122,341	At Expiration	3.87%	126,046	3.29%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	42,688	-	-	-	42,688	At Expiration	10.63%	42,701	10.15%		
		TAM S.A. and Subsidiaries	Brazil	0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	102	316	915	1,031	1,851	4,215	Monthly	6.01%	4,236	6.01%		
		Obligations with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A.	US\$	-	-	-	300,000	800,000	1,100,000	At Expiration	8.60%	1,138,432	8.41%
		Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	1,762	5,438	15,673	17,540	17,908	58,321	Monthly	1.25%	58,595	1.25%
TAM S.A. and Subsidiaries	Brazil			0-E	AIR CANADA	U.S.A.	US\$	1,325	1,645	-	-	-	2,970	Monthly	-	2,970	-		
TAM S.A. and Subsidiaries	Brazil			0-E	AIRBUS FINANCIAL SERVICES	U.S.A.	US\$	3,020	9,311	26,792	20,813	15,416	75,352	Monthly	1.42%	75,488	1.42%		
TAM S.A. and Subsidiaries	Brazil			0-E	AWAS	U.S.A.	US\$	2,992	2,659	-	-	-	5,651	Monthly	-	6,315	-		
TAM S.A. and Subsidiaries	Brazil			0-E	BNP PARIBAS	U.S.A.	US\$	580	1,810	5,262	5,982	8,448	22,082	Quarterly	1.00%	22,153	1.00%		
TAM S.A. and Subsidiaries	Brazil			0-E	BNP PARIBAS	France	US\$	578	1,758	4,959	5,371	9,693	22,359	Quarterly	0.86%	22,433	0.75%		
TAM S.A. and Subsidiaries	Brazil			0-E	CITIBANK	England	US\$	5,983	18,179	44,318	47,123	106,987	222,590	Quarterly	1.03%	223,008	0.90%		
TAM S.A. and Subsidiaries	Brazil			0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,258	12,917	55,573	11,431	13,766	97,945	Quarterly	1.40%	98,203	1.40%		
TAM S.A. and Subsidiaries	Brazil			0-E	CREDIT AGRICOLE -CIB	France	US\$	7,911	25,433	58,866	50,469	52,717	195,396	Quarterly/Semiannual	0.75%	195,819	0.65%		
TAM S.A. and Subsidiaries	Brazil			0-E	DVB BANK SE	Germany	US\$	3,125	9,375	12,500	-	-	25,000	Quarterly	2.50%	25,070	2.50%		
TAM S.A. and Subsidiaries	Brazil			0-E	DVB BANK SE	U.S.A.	US\$	197	590	1,210	282	-	2,279	Monthly	1.75%	2,283	1.75%		
TAM S.A. and Subsidiaries	Brazil			0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,430	48,548	-	-	-	51,978	Monthly	1.25%	52,049	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	HSBC	France	US\$	1,307	3,983	10,976	11,533	36,497	64,296	Quarterly	1.45%	64,425	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	KFW IPEX-BANK	Germany	US\$	3,877	11,869	28,660	20,499	17,813	82,718	Monthly/Quarterly	1.74%	82,869	1.74%		
TAM S.A. and Subsidiaries	Brazil			0-E	NATIXIS	France	US\$	6,009	16,490	49,293	55,352	118,984	246,128	Quarterly/Semiannual	2.81%	247,705	2.78%		
TAM S.A. and Subsidiaries	Brazil			0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	2,780	8,610	40,227	17,171	37,615	106,403	Monthly	1.71%	106,588	1.71%		
TAM S.A. and Subsidiaries	Brazil			0-E	WACAPOU LEASING S.A.	Luxembourg	US\$	453	1,303	3,097	2,617	14,267	21,737	Quarterly	2.00%	21,782	2.00%		
TAM S.A. and Subsidiaries	Brazil			0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US\$	1,769	1,425	-	-	-	3,194	Monthly	1.25%	3,198	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	11,772	35,604	87,655	96,473	102,591	334,095	Quarterly	3.86%	335,017	3.78%		
TAM S.A. and Subsidiaries	Brazil			0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	515	1,566	4,297	4,485	6,531	17,394	Quarterly	0.57%	17,420	0.57%		
TAM S.A. and Subsidiaries	Brazil			0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	239	724	-	-	-	963	Monthly	10.38%	896	10.38%		
TAM S.A. and Subsidiaries	Brazil			0-E	BANCO IBM S.A	Brazil	BRL	134	192	511	213	-	1,050	Monthly	10.58%	1,069	10.58%		
TAM S.A. and Subsidiaries	Brazil			0-E	HP FINANCIAL SERVICE	Brazil	BRL	287	746	2,218	308	-	3,559	Monthly	9.90%	3,558	9.90%		
TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE AIR FRANCE	France	EUR	69	1,310	-	-	-	1,379	Monthly	6.82%	2,029	6.82%				
Other loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	27,244	537	-	-	-	27,781	Monthly	2.38%	27,781	2.38%		
Total								245,105	552,537	453,050	668,693	1,361,084	3,280,469			3,335,887			
Total Consolidated								740,311	1,162,262	2,181,902	1,952,170	3,840,789	9,877,434			9,772,869			

## Interest-bearing loans due in installments to December 31, 2013, at accounting values

Class of Liability	Debtor tax No	Debtor	Debtor country	Creditor Tax No	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total accounting value	amortization	Effective	Total	Nominal
								90 days	90 days	one to three years	three to five years	five years			rate	nominal value	rate
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	ThUS\$	%
Loans to export	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US\$	-	30,022	-	-	-	30,022	At Expiration	1.00%	30,000	1.00%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	230,819	-	-	-	-	230,819	At Expiration	1.63%	230,000	1.63%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US\$	-	40,023	-	-	-	40,023	At Expiration	1.06%	40,000	1.06%
		LATAM Airlines Group S.A.	Chile	76.100.458-1	BLADEX	Chile	US\$	100,399	-	-	-	-	100,399	At Expiration	1.87%	100,000	1.87%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	153	-	115,051	-	-	115,204	At Expiration	3.19%	115,051	3.19%
		LATAM Airlines Group S.A.	Chile	97.023.000-9	CORPBANCA	Chile	UF	17,475	46,771	122,780	80,528	-	267,554	Quarterly	4.85%	268,460	4.85%
		LATAM Airlines Group S.A.	Chile	0-E	CTIBANK	Argentina	ARS\$	35	15,335	-	-	-	15,370	Monthly	20.75%	15,335	20.75%
		LATAM Airlines Group S.A.	Chile	0-E	BBVA	Argentina	ARS\$	362	27,603	-	-	-	27,965	Monthly	23.78%	27,603	23.78%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	3,635	8,807	24,144	27,437	26,682	90,705	Quarterly	5.69%	91,543	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US\$	13,209	34,713	82,646	10,033	-	140,601	Quarterly	1.99%	140,312	1.99%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	2,239	6,746	(19)	-	-	8,966	Quarterly	3.06%	8,964	2.73%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US\$	10,356	27,256	75,420	83,243	221,031	417,306	Quarterly	2.45%	418,254	2.31%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A.	US\$	52,722	139,012	330,363	365,871	1,115,366	2,003,334	Quarterly	2.47%	2,099,776	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CTIBANK	U.S.A.	US\$	10,850	29,315	76,583	84,847	162,473	364,068	Quarterly	2.64%	372,191	2.04%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	5,347	15,238	38,966	42,256	93,880	195,687	Quarterly	1.32%	200,599	0.78%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A.	US\$	2,784	7,846	19,797	21,891	62,166	114,484	Quarterly	1.64%	118,070	1.04%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A.	US\$	1,431	3,848	9,716	10,758	31,027	56,780	Quarterly	1.63%	58,502	1.04%
		LATAM Airlines Group S.A.	Chile	0-E	US BANK	U.S.A.	US\$	17,106	41,995	93,083	109,417	395,163	656,764	Quarterly	2.81%	703,992	2.81%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A.	US\$	5,053	13,408	38,017	32,449	84,814	173,741	Quarterly	3.27%	173,036	3.27%
		LATAM Airlines Group S.A.	Chile	-	SWAP Aircraft arrivals	-	US\$	681	1,915	4,104	2,521	765	9,986	Quarterly	-	9,986	-
		Other guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	DVB BANK SE	U.S.A.	US\$	7,766	23,343	64,247	-	-	95,356	Quarterly	1.99%
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	4,964	13,896	37,395	8,971	-	65,226	Quarterly	3.23%	65,076	3.03%
		LATAM Airlines Group S.A.	Chile	0-E	CREDITE AGRICOLE	France	US\$	4,952	13,834	63,715	7,157	-	89,658	Quarterly	1.21%	89,514	1.21%
		LATAM Airlines Group S.A.	Chile	0-E	CTIBANK	U.S.A.	US\$	1,651	4,413	12,254	14,089	7,731	40,138	Quarterly	6.38%	40,564	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	15,884	42,702	118,027	107,595	22,324	306,532	Quarterly	5.35%	308,774	4.23%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US\$	6,908	19,839	55,403	56,567	7,109	145,826	Quarterly	4.65%	147,334	4.15%
		LATAM Airlines Group S.A.	Chile	0-E	BANC OF AMERICA	U.S.A.	US\$	647	1,891	5,392	-	-	7,930	Monthly	1.43%	7,899	1.43%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A.	US\$	-	1,650	170,838	-	-	172,488	At Expiration	1.75%	170,838	1.75%
	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	CTIBANK (*)	U.S.A.	US\$	4,050	-	79,611	174,178	196,211	454,050	Quarterly	6.00%	450,000	6.00%
Total								521,478	611,421	1,637,533	1,239,808	2,426,742	6,436,982			6,596,965	

(\*) 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, at accounting value

Class of Liability	Debtor tax No	Debtor	Debtor country	Creditor Tax No	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective	Total	Nominal		
								90 days	90 days to one year	one to three years	three to five years	five years	accounting value		rate	nominal value	rate		
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	ThUS\$	%		
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	Brazil	US\$	2,306	42,413	-	-	-	44,719	At expiration	3.76%	43,885	3.20%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	US\$	9,410	130,742	-	-	-	140,152	At expiration	5.20%	137,849	4.66%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US\$	27,804	48,424	-	-	-	76,228	At expiration	6.31%	73,830	4.73%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	US\$	41,768	22,213	-	-	-	63,981	At expiration	3.73%	62,357	2.94%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL	187	431	51	-	-	669	Monthly	7.42%	684	7.42%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	US\$	77,218	48,828	-	-	-	126,046	At expiration	3.87%	122,341	3.29%		
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	42,701	-	-	-	42,701	At expiration	10.63%	42,688	10.15%		
		TAM S.A. and Subsidiaries	Brazil	0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	123	316	915	1,031	1,851	4,236	Monthly	6.01%	4,215	6.01%		
		Obligations with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A	US\$	19,760	2,001	5,343	305,554	805,774	1,138,432	At expiration	8.60%	1,100,000	8.41%
		Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A	US\$	2,036	5,437	15,673	17,541	17,908	58,595	Monthly	1.25%	58,321	1.25%
TAM S.A. and Subsidiaries	Brazil			0-E	AIR CANADA	U.S.A	US\$	1,325	1,645	-	-	-	2,970	Monthly	-	2,970	-		
TAM S.A. and Subsidiaries	Brazil			0-E	AIRBUS FINANCIAL SERVICES	U.S.A	US\$	3,156	9,311	26,792	20,812	15,417	75,488	Monthly	1.42%	75,352	1.42%		
TAM S.A. and Subsidiaries	Brazil			0-E	AWAS	U.S.A	US\$	3,656	2,659	-	-	-	6,315	Monthly	-	5,651	-		
TAM S.A. and Subsidiaries	Brazil			0-E	BNP PARIBAS	U.S.A	US\$	651	1,810	5,262	5,982	8,448	22,153	Quarterly	1.00%	22,082	1.00%		
TAM S.A. and Subsidiaries	Brazil			0-E	BNP PARIBAS	France	US\$	652	1,758	4,959	5,371	9,693	22,433	Quarterly	0.86%	22,359	0.75%		
TAM S.A. and Subsidiaries	Brazil			0-E	CITIBANK	England	US\$	6,401	18,179	44,318	47,123	106,987	223,008	Quarterly	1.03%	222,590	0.90%		
TAM S.A. and Subsidiaries	Brazil			0-E	CREDIT AGRICOLE - CIB	U.S.A	US\$	4,516	12,917	55,573	11,431	13,766	98,203	Quarterly	1.40%	97,945	1.40%		
TAM S.A. and Subsidiaries	Brazil			0-E	CREDIT AGRICOLE - CIB	France	US\$	8,334	25,433	58,866	50,469	52,717	195,819	Quarterly/Semiannual	0.75%	195,396	0.65%		
TAM S.A. and Subsidiaries	Brazil			0-E	DVB BANK SE	Germany	US\$	3,195	9,375	12,500	-	-	25,070	Quarterly	2.50%	25,000	2.50%		
TAM S.A. and Subsidiaries	Brazil			0-E	DVB BANK SE	U.S.A	US\$	201	590	1,210	282	-	2,283	Monthly	1.75%	2,279	1.75%		
TAM S.A. and Subsidiaries	Brazil			0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A	US\$	3,501	48,548	-	-	-	52,049	Monthly	1.25%	51,978	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	HSBC	France	US\$	1,436	3,983	10,976	11,533	36,497	64,425	Quarterly	1.45%	64,296	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	KFW IPEX-BANK	Germany	US\$	4,027	11,869	28,660	20,500	17,813	82,869	Monthly/Quarterly	1.74%	82,718	1.74%		
TAM S.A. and Subsidiaries	Brazil			0-E	NATIXIS	France	US\$	7,586	16,490	49,293	55,352	118,984	247,705	Quarterly/Semiannual	2.81%	246,128	2.78%		
TAM S.A. and Subsidiaries	Brazil			0-E	PK AIRFINANCE US, INC.	U.S.A	US\$	2,964	8,611	40,227	17,171	37,615	106,588	Monthly	1.71%	106,403	1.71%		
TAM S.A. and Subsidiaries	Brazil			0-E	WACAPOU LEASING S.A.	Luxembourg	US\$	498	1,303	3,097	2,617	14,267	21,782	Quarterly	2.00%	21,737	2.00%		
TAM S.A. and Subsidiaries	Brazil			0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A	US\$	1,773	1,425	-	-	-	3,198	Monthly	1.25%	3,194	1.25%		
TAM S.A. and Subsidiaries	Brazil			0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	12,694	35,604	87,655	96,473	102,591	335,017	Quarterly	3.86%	334,095	3.78%		
TAM S.A. and Subsidiaries	Brazil			0-E	THE TORONTO DOMINION BANK	U.S.A	US\$	541	1,566	4,297	4,485	6,531	17,420	Quarterly	0.57%	17,394	0.57%		
TAM S.A. and Subsidiaries	Brazil			0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	222	674	-	-	-	896	Monthly	10.38%	963	10.38%		
TAM S.A. and Subsidiaries	Brazil			0-E	BANCO IBM S.A	Brazil	BRL	153	192	511	213	-	1,069	Monthly	10.58%	1,050	10.58%		
TAM S.A. and Subsidiaries	Brazil			0-E	HP FINANCIAL SERVICE	Brazil	BRL	285	745	2,220	308	-	3,558	Monthly	9.90%	3,559	9.90%		
TAM S.A. and Subsidiaries	Brazil			0-E	SOCIETE AIR FRANCE	France	EUR	824	1,205	-	-	-	2,029	Monthly	6.82%	1,379	6.82%		
Other loans	02.012.862/0001-60			TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	27,244	537	-	-	-	27,781	Monthly	2.38%	27,781	2.38%
Total								276,447	559,935	458,398	674,248	1,366,859	3,335,887			3,280,469			
Total Consolidated								797,925	1,171,356	2,095,931	1,914,056	3,793,601	9,772,869			9,877,434			

## Interest-bearing loans due in installments due at December 31, 2012, at nominal value

Class of Liability	Debtor tax No	Debtor	Debtor country	Creditor Tax No	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total nominal value	Amortization	Effective rate	Total accounting value	Nominal rate
								90 days	90 days to one year	one to three years	three to five years	five years					
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US\$	30,000	-	-	-	-	30,000	Semiannual	2.17%	30,253	2.17%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US\$	35,000	-	-	-	-	35,000	Semiannual	1.70%	35,056	1.70%
		LATAM Airlines Group S.A.	Chile	76.645.030-K	ITAU	Chile	US\$	75,000	-	-	-	-	75,000	Quarterly	1.32%	75,084	1.32%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US\$	102,000	-	-	-	-	102,000	Annual	1.83%	102,562	1.79%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	-	-	214,373	-	-	214,373	-	2.57%	214,586	2.57%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US\$	-	44,848	-	-	-	44,848	Semiannual	1.76%	44,972	1.74%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	2,732	8,374	23,951	26,478	41,114	102,649	Quarterly	5.69%	101,461	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDITE AGRICOLE	France	US\$	12,203	33,402	35,129	6,714	-	87,448	Quarterly	3.42%	87,719	3.37%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	3,474	10,696	20,753	13,014	18,211	66,148	Quarterly	4.96%	65,494	4.41%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US\$	13,578	41,635	118,769	130,877	146,231	451,090	Quarterly	4.15%	444,700	3.67%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A.	US\$	39,546	119,458	324,890	334,407	1,141,162	1,959,463	Quarterly	2.57%	1,872,616	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US\$	9,311	28,406	79,112	84,369	208,710	409,908	Quarterly	2.71%	399,854	2.10%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	4,931	14,919	40,930	42,645	117,024	220,449	Quarterly	1.39%	214,435	0.85%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A.	US\$	2,514	7,638	21,116	22,221	74,733	128,222	Quarterly	1.73%	123,920	1.13%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A.	US\$	1,231	3,748	10,359	10,919	37,223	63,480	Quarterly	1.71%	61,411	1.11%
		LATAM Airlines Group S.A.	Chile	0-E	BANK OF AMERICA MERRILL LYNCH	U.S.A.	US\$	3,159	9,602	26,388	27,586	106,054	172,789	Quarterly	1.97%	165,394	1.26%
		LATAM Airlines Group S.A.	Chile	0-E	DEVELOPMENT BANK OF JAPAN	U.S.A.	US\$	1,962	5,974	16,404	17,153	65,579	107,072	Quarterly	1.98%	102,662	1.27%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A.	US\$	4,151	12,813	36,339	39,791	96,906	190,000	Quarterly	3.35%	190,813	3.35%
		LATAM Airlines Group S.A.	Chile	-	SWAP Aircraft arrivals	-	US\$	815	2,316	5,158	3,549	1,916	13,754	-	-	13,754	-
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	6,510	16,075	35,499	25,563	1,844	85,491	Quarterly	3.71%	85,670	3.42%
		LATAM Airlines Group S.A.	Chile	0-E	CREDITE AGRICOLE	France	US\$	4,646	14,192	29,145	30,216	25,485	103,684	Quarterly	1.32%	103,869	1.29%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US\$	1,358	4,164	12,014	13,461	15,089	46,086	Quarterly	6.38%	45,480	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A.	US\$	1,825	5,637	-	-	-	7,462	Quarterly	1.31%	7,466	1.31%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	11,899	36,603	104,071	112,116	49,572	314,261	Quarterly	5.29%	311,418	4.70%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A.	US\$	-	-	146,189	-	-	146,189	-	1.86%	148,582	1.86%
		LATAM Airlines Group S.A.	Chile	-	OTROS	U.S.A.	US\$	3,524	10,706	29,472	15,258	-	58,960	Quarterly	2.08%	58,340	2.08%
Total								<u>371,369</u>	<u>431,206</u>	<u>1,330,061</u>	<u>956,337</u>	<u>2,146,853</u>	<u>5,235,826</u>		<u>5,107,571</u>		

## Interest-bearing loans due in installments due at December 31, 2012, at nominal value

Class of Liability	Debtor tax No	Debtor	Debtor country	Debtor Tax No	Debtor Country	Creditor	Creditor country	Currency	Up to	90 days	one to	three to	More than	Total	Amortization	Effective	Total	Nominal						
									90 days	to one year	three years	five years	five years	rate		accounting value	rate							
									ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			ThUS\$	%							
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE	France	US\$		-	50,322	-	-	-	50,322	Quarterly	2.81%	64,480	2.81%						
									TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	Brazil	US\$	24,363	5,623	-	-	29,986	At Expiration	4.03%	30,419	4.03%	
									TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	US\$	42,106	109,874	-	-	151,980	At Expiration	5.35%	152,517	5.35%	
									TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A.	Brazil	BRL	92	-	-	-	92	Semiannual	10.72%	336	10.72%	
									TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US\$	45,539	117,852	-	-	163,391	At Expiration	5.65%	166,916	5.65%	
									TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL/US\$	17,306	14,356	784	-	32,446	Monthly/ At Expiration	7.69% / 4.01%	32,596	7.69% / 4.01%	
									TAM S.A. and Subsidiaries	Brazil	0-E	BANCO UNIBANCO	Brazil	BRL	61	27	-	-	88	Monthly	8.94%	78	8.94%	
									TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	27,484	-	-	27,484	At Expiration	3.34%	27,506	3.34%	
									TAM S.A. and Subsidiaries	Brazil	0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	96	297	861	971	2,383	4,608	Monthly	0.96%	4,674	0.95%
									Obligations with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A.	US\$		-	-	-	300,000	800,000	1,100,000	At Expiration
TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	BRL	24,468	220,210	-										-	244,678	Semiannual	8.96%	251,271	8.56%	
Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$		1,666	5,140	14,816	16,580	26,925	65,127	Monthly	N/A	66,032	N/A						
									TAM S.A. and Subsidiaries	Brazil	0-E	AIR CANADA	U.S.A.	US\$	3,400	9,350	-	-	-	12,750	Monthly	N/A	12,871	N/A
									TAM S.A. and Subsidiaries	Brazil	0-E	AIRBUS FINANCIAL SERVICES	U.S.A.	US\$	2,862	8,819	25,357	27,070	22,925	87,033	Monthly	2.25%	87,409	2.25%
									TAM S.A. and Subsidiaries	Brazil	0-E	AWAS	U.S.A.	US\$	2,991	8,975	5,651	-	-	17,617	Monthly	N/A	18,588	N/A
									TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	U.S.A.	US\$	544	1,699	4,939	5,609	11,535	24,326	Quarterly	1.50%	24,479	1.50%
									TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	France	US\$	2,372	7,237	17,064	17,384	43,929	87,986	Quarterly	3.84%	88,109	3.84%
									TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	England	US\$	11,862	41,043	82,593	81,129	234,657	451,284	Quarterly	3.69%	451,201	3.69%
									TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,182	12,683	67,629	10,627	19,689	114,810	Quarterly	2.29%	115,493	2.29%
									TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE-CIB	France	US\$	15,945	47,894	126,930	121,391	182,561	494,721	Quarterly/Semiannual	2.01% / 0.82%	497,986	2.01% / 0.37%
									TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	Germany	US\$	3,125	9,375	25,000	-	-	37,500	Quarterly	2.89%	37,570	2.89%
									TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	U.S.A.	US\$	456	1,369	2,821	756	-	5,402	Monthly	2.25%	5,420	2.25%
									TAM S.A. and Subsidiaries	Brazil	0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	9,140	19,967	51,979	-	-	81,086	Monthly	2.59%	81,379	2.59%
									TAM S.A. and Subsidiaries	Brazil	0-E	HSBC	France	US\$	1,275	3,887	10,713	11,249	42,334	69,458	Quarterly	1.70%	69,596	0.85%
									TAM S.A. and Subsidiaries	Brazil	0-E	KFW IPEX-BANK	Germany	US\$	3,709	11,343	32,226	23,604	26,888	97,770	Monthly/Quarterly	2.11% / 2.21%	98,111	2.11% / 2.21%
									TAM S.A. and Subsidiaries	Brazil	0-E	NATIXIS	France	US\$	5,972	20,421	59,579	66,989	163,464	316,425	Quarterly/Semiannual	2.62% / 3.32%	319,002	2.62% / 3.32%
									TAM S.A. and Subsidiaries	Brazil	0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	2,609	8,080	23,530	36,373	46,500	117,092	Monthly	1.96%	117,520	1.96%
									TAM S.A. and Subsidiaries	Brazil	0-E	WACAPOU LEASING S.A.	Luxembourg	US\$	493	1,417	3,369	2,847	15,521	23,647	Quarterly	2.42%	23,844	2.42%
									TAM S.A. and Subsidiaries	Brazil	0-E	WELLS FARGO BANK	U.S.A.	US\$	1,769	5,308	3,194	-	-	10,271	Monthly	1.98%	10,300	1.98%
									TAM S.A. and Subsidiaries	Brazil	0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	11,355	34,574	90,164	91,964	151,968	380,025	Quarterly	1.95%	381,847	1.95%
									TAM S.A. and Subsidiaries	Brazil	0-E	THE TORONTO-DOMINION BANK	U.S.A.	US\$	504	1,532	4,207	4,390	8,798	19,431	Quarterly	0.88%	19,544	0.08%
									TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	252	758	1,015	-	-	2,025	Monthly	7.51%	1,344	7.51%
									TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A	Brazil	BRL	543	1,631	81	-	-	2,255	Monthly	10.58%	2,192	10.58%
									TAM S.A. and Subsidiaries	Brazil	0-E	CISLATINA ARRENDAMENTO MERCANTIL S.A	Brazil	BRL	40	13	-	-	-	53	Monthly	5.31%	50	5.31%
									TAM S.A. and Subsidiaries	Brazil	0-E	HP FINANCIAL SERVICE	Brazil	BRL	189	484	74	-	-	747	Monthly	9.08%	711	9.08%
									TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE AIR FRANCE	France	EUR	61	191	1,320	-	-	1,572	Monthly	6.82%	1,785	6.82%
									TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE GENERALE LEASING S.A.	Brazil	BRL	2,520	-	-	-	-	2,520	Monthly	0.00%	1,534	0.00%
									Others loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	31,882	9,143	-	-	-	41,025	Monthly	2.20%
Total									275,749	818,378	655,896	818,933	1,800,077	4,369,033		4,451,986								
Total Consolidated									647,118	1,249,584	1,985,957	1,775,270	3,946,930	9,604,859		9,559,557								

## Interest-bearing loans due in installments to December 31, 2012, at accounting values

Class of Liability	Debtor tax No	Debtor	Debtor country	Creditor Tax No	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total accounting value	Amortization	Effective	Total	Nominal
								90 days	90 days to one year	one to three years	three to five years	five years			rate	nominal value	rate
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			%	ThUS\$	%
Loans to export	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US\$	30,253	-	-	-	-	30,253	Semiannual	2.17%	30,000	2.17%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US\$	35,056	-	-	-	-	35,056	Semiannual	1.70%	35,000	1.70%
		LATAM Airlines Group S.A.	Chile	76.645.030-K	ITAU	Chile	US\$	75,084	-	-	-	-	75,084	Quarterly	1.32%	75,000	1.32%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US\$	102,562	-	-	-	-	102,562	Annual	1.83%	102,000	1.79%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	214	-	214,372	-	-	214,586	-	2.57%	214,373	2.57%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US\$	-	44,988	(16)	-	-	44,972	Semiannual	1.76%	44,848	1.74%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	3,590	8,374	22,767	25,947	40,783	101,461	Quarterly	5.69%	102,649	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US\$	12,475	33,402	35,128	6,714	-	87,719	Quarterly	3.42%	87,448	3.37%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	3,829	10,696	20,126	12,764	18,079	65,494	Quarterly	4.96%	66,148	4.41%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US\$	15,428	41,635	113,648	128,765	145,224	444,700	Quarterly	4.15%	451,090	3.67%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A.	US\$	45,109	119,458	284,423	313,700	1,109,926	1,872,616	Quarterly	2.57%	1,959,463	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US\$	10,711	28,406	73,422	81,588	205,727	399,854	Quarterly	2.71%	409,908	2.10%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	5,308	14,919	37,798	41,117	115,293	214,435	Quarterly	1.39%	220,449	0.85%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A.	US\$	2,746	7,638	19,070	21,177	73,289	123,920	Quarterly	1.73%	128,222	1.13%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A.	US\$	1,418	3,748	9,347	10,401	36,497	61,411	Quarterly	1.71%	63,480	1.11%
		LATAM Airlines Group S.A.	Chile	0-E	BANK OF AMERICA MERRIL LYNCH	U.S.A.	US\$	3,566	9,602	23,088	25,860	103,278	165,394	Quarterly	1.97%	172,789	1.26%
		LATAM Airlines Group S.A.	Chile	0-E	DEVELOPMENT BANK OF JAPON	U.S.A.	US\$	2,373	5,974	14,360	16,085	63,870	102,662	Quarterly	1.98%	107,072	1.27%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A.	US\$	4,964	12,813	36,339	39,791	96,906	190,813	Quarterly	3.35%	190,000	3.35%
		LATAM Airlines Group S.A.	Chile	-	SWAP Aircraft arrivals	-	US\$	815	2,316	5,158	3,549	1,916	13,754	-	-	13,754	-
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US\$	7,167	16,076	35,155	25,431	1,841	85,670	Quarterly	3.71%	85,491	3.42%
		LATAM Airlines Group S.A.	Chile	0-E	CREDITE AGRICOLE	France	US\$	4,831	14,191	29,145	30,216	25,486	103,869	Quarterly	1.32%	103,684	1.29%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US\$	1,603	4,164	11,481	13,237	14,995	45,480	Quarterly	6.38%	46,086	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A.	US\$	1,828	5,638	-	-	-	7,466	Quarterly	1.31%	7,462	1.31%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US\$	13,960	36,603	100,514	110,981	49,360	311,418	Quarterly	5.29%	314,261	4.70%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A.	US\$	563	1,829	146,190	-	-	148,582	-	1.86%	146,189	1.86%
		LATAM Airlines Group S.A.	Chile	-	OTHERS	U.S.A.	US\$	3,524	10,706	29,472	14,638	-	58,340	Quarterly	2.08%	58,960	2.08%
Total								388,977	433,176	1,260,987	921,961	2,102,470	5,107,571			5,235,826	

## Interest-bearing loans due in installments to December 31, 2012, at accounting value

Class of Liability	Debtor tax No	Debtor	Debtor country	Creditor Tax No	Creditor	Creditor country	Currency	Up to	More than	More than	More than	More than	Total	Amortization	Effective	Total	Nominal	
								90 days	90 days to one year	one to three years	three to five years	five years	accounting value		rate	nominal value	rate	
								ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	ThUS\$	%	
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE	France	US\$	733	63,747	-	-	-	64,480	Quarterly	2.81%	50,322	2.81%	
		TAM S.A. and Subsidiaries	Brazil	0-E	CTIBANK	Brazil	US\$	24,735	5,684	-	-	-	30,419	At Expiration	4.03%	29,986	4.03%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	US\$	41,444	111,073	-	-	-	152,517	At Expiration	5.35%	151,980	5.35%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A.	Brazil	BRL	336	-	-	-	-	336	Semiannual	10.72%	92	10.72%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US\$	47,205	119,711	-	-	-	166,916	At Expiration	5.65%	163,391	5.65%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL/US\$	17,288	14,560	748	-	-	32,596	Monthly/At Expiration	7.69% / 4.01%	32,446	7.69% / 4.01%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO UNIBANCO	Brazil	BRL	50	28	-	-	-	78	Monthly	8.94%	88	8.94%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	27,506	-	-	-	27,506	At Expiration	3.34%	27,484	3.34%	
		TAM S.A. and Subsidiaries	Brazil	0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	162	298	861	971	2,382	4,674	Monthly	0.96%	4,608	0.95%	
		Obligations with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A.	US\$	12,759	9,652	6,720	306,771	810,349	1,146,251	At Expiration	8.60%	1,100,000
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	BRL	31,061	220,210	-	-	-	251,271	Semiannual	8.96%	244,678	8.56%	
Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	2,571	5,140	14,816	16,580	26,925	66,052	Monthly	N/A	65,127	N/A	
		TAM S.A. and Subsidiaries	Brazil	0-E	AIR CANADA	U.S.A.	US\$	3,521	9,350	-	-	-	12,871	Monthly	N/A	12,750	N/A	
		TAM S.A. and Subsidiaries	Brazil	0-E	AIRBUS FINANCIAL SERVICES	U.S.A.	US\$	3,238	8,819	25,357	27,070	22,925	87,409	Monthly	2.25%	87,033	2.25%	
		TAM S.A. and Subsidiaries	Brazil	0-E	AWAS	U.S.A.	US\$	3,962	8,975	5,651	-	-	18,588	Monthly	N/A	17,617	N/A	
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	U.S.A.	US\$	697	1,699	4,939	5,609	11,535	24,479	Quarterly	1.50%	24,326	1.50%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	France	US\$	2,495	7,237	17,064	17,384	43,929	88,109	Quarterly	3.84%	87,986	3.84%	
		TAM S.A. and Subsidiaries	Brazil	0-E	CTIBANK	England	US\$	11,779	41,043	82,593	81,129	234,657	451,201	Quarterly	3.69%	451,284	3.69%	
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE - CIB	U.S.A.	US\$	4,865	12,683	67,629	10,627	19,689	115,493	Quarterly	2.29%	114,810	2.29%	
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE - CIB	France	US\$	19,209	47,894	126,929	121,392	182,562	497,986	Quarterly/Semiannual	2.01% / 0.82%	494,721	2.01% / 0.37%	
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	Germany	US\$	3,195	9,375	25,000	-	-	37,570	Quarterly	2.89%	37,500	2.89%	
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	U.S.A.	US\$	474	1,369	2,821	756	-	5,420	Monthly	2.25%	5,402	2.25%	
		TAM S.A. and Subsidiaries	Brazil	0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	10,536	19,967	50,876	-	-	81,379	Monthly	2.59%	81,086	2.59%	
		TAM S.A. and Subsidiaries	Brazil	0-E	HSBC	France	US\$	1,413	3,887	10,713	11,249	42,334	69,596	Quarterly	1.70%	69,458	0.85%	
		TAM S.A. and Subsidiaries	Brazil	0-E	KFW IPEX-BANK	Germany	US\$	4,049	11,343	32,226	23,605	26,888	98,111	Monthly/Quarterly	2.11% / 2.21%	97,770	2.11% / 2.21%	
		TAM S.A. and Subsidiaries	Brazil	0-E	NATIXIS	France	US\$	8,549	20,421	59,579	66,989	163,664	319,002	Quarterly/Semiannual	2.62% / 3.32%	316,425	2.62% / 3.32%	
		TAM S.A. and Subsidiaries	Brazil	0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	3,037	8,080	23,530	36,373	46,500	117,520	Monthly	1.96%	117,092	1.96%	
		TAM S.A. and Subsidiaries	Brazil	0-E	WACAPOU LEASING S.A.	Luxembourg	US\$	1,192	1,417	3,370	2,847	15,018	23,844	Quarterly	2.42%	23,647	2.42%	
		TAM S.A. and Subsidiaries	Brazil	0-E	WELLS FARGO BANK	U.S.A.	US\$	1,798	5,308	3,194	-	-	10,300	Monthly	1.98%	10,271	1.98%	
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	13,177	34,574	90,164	91,964	151,968	381,847	Quarterly	1.95%	380,025	1.95%	
		TAM S.A. and Subsidiaries	Brazil	0-E	DOMINION BANK	U.S.A.	US\$	618	1,533	4,205	4,390	8,798	19,544	Quarterly	0.88%	19,431	0.88%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DE LAGE LANDEN	Brazil	BRL	103	302	939	-	-	1,344	Monthly	7.51%	2,025	7.51%	
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A.	Brazil	BRL	505	1,585	102	-	-	2,192	Monthly	10.58%	2,255	10.58%	
		TAM S.A. and Subsidiaries	Brazil	0-E	CISLATINA ARRENDAMENTO	Brazil	BRL	37	13	-	-	-	50	Monthly	5.31%	53	5.31%	
		TAM S.A. and Subsidiaries	Brazil	0-E	MERCANTIL S.A.	Brazil	BRL	158	472	81	-	-	711	Monthly	9.08%	747	9.08%	
		TAM S.A. and Subsidiaries	Brazil	0-E	HP FINANCIAL SERVICE	Brazil	BRL	602	35	1,148	-	-	1,785	Monthly	6.82%	1,572	6.82%	
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE AIR FRANCE	France	EUR	-	-	-	-	-	-	-	-	-	-	-
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE GENERALE LEASING S.A.	Brazil	BRL	1,534	-	-	-	-	1,534	Monthly	0.00%	2,520	0.00%	
Others loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	31,882	9,143	-	-	-	41,025	Monthly	2.20%	41,025	2.20%	
Total								310,969	844,133	661,255	825,706	1,809,923	4,451,986			4,369,033		
Total Consolidated								699,946	1,277,309	1,922,242	1,747,667	3,912,393	9,559,557			9,604,859		

Summary of other financial non-current loans (other than bank loans, obligations with the public and financial leases)

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
a) Other interest bearing loans (see note 21 a)	33,481	57,647
b) Derivative not recognized as a hedge (see note 21 b)	4,040	4,477
c) Hedge derivatives (see note 21 c)	66,466	65,598
Total currents	<u>103,987</u>	<u>127,722</u>
Non-current		
a) Other interest bearing loans (see note 21 a)	620,838	190,300
b) Derivative not recognized as a hedge (see note 21 b)	1,491	5,515
c) Hedge derivatives (see note 21 c)	54,906	111,040
Total non-currents	<u>677,235</u>	<u>306,855</u>

(b) Derivatives not recognized as a hedge.

Derivatives not recognized as a hedge as of December 31, 2013 and December 31, 2012, respectively, is as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
Interest rate derivative not recognized as a hedge	<u>4,040</u>	<u>4,477</u>
Total current	<u>4,040</u>	<u>4,477</u>
Non-current		
Interest rate derivative not recognized as a hedge	<u>1,491</u>	<u>5,515</u>
Total non-current	<u>1,491</u>	<u>5,515</u>
Total other financial liabilities	<u>5,531</u>	<u>9,992</u>

## (c) Hedge derivatives

Hedge derivatives as of December 31, 2013 and December 31, 2012 are as follows:

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Current		
Accrued interest from the last date of interest rate swap	5,775	4,660
Fair value of interest rate derivatives	32,070	37,076
Fair value of fuel derivatives	-	10,502
Fair value of foreign currency derivatives	28,621	13,360
Total current	<u>66,466</u>	<u>65,598</u>
Non-current		
Fair value of interest rate derivatives	54,906	104,547
Fair value of fuel derivatives	-	4,530
Fair value of foreign currency derivatives	-	1,963
Total non-current	<u>54,906</u>	<u>111,040</u>
Total hedging liabilities	<u><u>121,372</u></u>	<u><u>176,638</u></u>

The foreign currency derivatives exchange are collars 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>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Cross currency swaps (CCS) (1)	(26,028)	-
Interest rate options (2)	6	6
Interest rate swaps (3)	(92,088)	(146,283)
Fuel collars (4)	1,878	(911)
Fuel swap (5)	13,990	(9,000)
Currency forward R\$/US\$ (6)	32,058	-
Currency forward CLP/US\$ (7)	(1,121)	-
Currency collars (8)	(1,652)	(15,228)

- (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.
- (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.
- (5) Covers the significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases.
- (6) Covers the foreign exchange risk exposure of operating cash flows caused mainly by fluctuations in the exchange rate R\$/US\$.
- (7) Covers the investments denominated in Chilean pesos to Dollar- Chilean peso exchange rate, in order to secure investment in Dollars.
- (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. In the case of fuel hedges, the cash flows subject to said hedges will impact results in the next 6 months from the consolidated statement of financial position date, where as 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 (up to 3 months), while the cash flows occur at the maturity of the investment.

During the periods presented, there have not occurred hedging operations of future highly probable transaction that have not been realized.

During the periods presented, there has been hedge ineffectiveness recognized in the consolidated statement of income, for currency collars.

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>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Debit (credit) recognized in comprehensive income during the period	128,166	(2,510)
Debit (credit) transferred from net equity to income during the period	(18,688)	(26,470)

## NOTE 22 - TRADE AND OTHER ACCOUNTS PAYABLES

The composition of Trade and other accounts payables is as follows:

	As of December 31, 2013 ThUS\$	As of December 31, 2012 ThUS\$
Current		
(a) Trade and other accounts payables	1,264,395	1,403,546
(b) Accrued liabilities at the reporting date	293,341	286,444
Total trade and other accounts payables	<u>1,557,736</u>	<u>1,689,990</u>

(a) Trade and other accounts payable as of December 31, 2013 and December 31, 2012 are as follows:

	As of December 31, 2013 ThUS\$	As of December 31, 2012 ThUS\$
Trade creditors	969,260	1,069,345
Leasing obligation	44,756	30,818
Other accounts payable (*)	250,379	303,383
Total	<u>1,264,395</u>	<u>1,403,546</u>

(\*) Includes agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 23.

The details of Trade and other accounts payables are as follows:

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Aircraft Fuel	302,419	360,618
Boarding Fee	217,389	182,185
Other personnel expenses	117,418	134,357
Airport charges and overflight	98,560	125,402
Suppliers' technical purchases	67,995	64,981
Professional services and advisory	63,082	46,934
Marketing	50,009	51,360
Handling and ground handling	48,797	49,738
Land services	47,046	38,436
Leases, maintenance and IT services	46,163	34,903
Aircraft and engines leasing	44,756	84,729
Services on board	29,940	26,674
U.S.A. Department of Justice (**)	18,290	18,387
Maintenance	15,793	5,305
Tax recovery program (*)	14,569	19,668
Crew	14,040	16,233
Aviation insurance	10,665	7,465
Achievement of goals	9,806	5,024
Airlines	5,054	9,362
Communications	4,578	4,948
Distribution system	3,103	1,389
Fleet (JOL)	-	59,181
Others	34,923	56,267
Total trade and other accounts payables	<u>1,264,395</u>	<u>1,403,546</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.

(\*\*) Includes agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 23.

(b) The liabilities accrued at December 31, 2013 and December 31, 2012, are as follows:

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Accrued personnel expenses	151,586	171,873
Accounts payable to personnel (*)	110,147	70,625
Aircraft and engine maintenance	3,741	22,053
Others accrued liabilities	27,867	21,893
Total accrued liabilities	<u>293,341</u>	<u>286,444</u>

(\*) Profits and bonds participation (Note 26 letter b)

## NOTE 23 - OTHER PROVISIONS

The detail of Other provisions as of December 31, 2013 and December 31, 2012 is as follows:

	As of December 31, 2013 ThUS\$	As of December 31, 2012 ThUS\$
Current		
Provision for contingencies (1)		
Tax contingencies	7,092	6,774
Civil contingencies	13,430	23,880
Labor contingencies	<u>7,334</u>	<u>28,920</u>
Total other provisions, current	<u>27,856</u>	<u>59,574</u>
Non-current		
Provision for contingencies (1)		
Tax contingencies	968,211	1,137,961
Civil contingencies	50,022	60,732
Labor contingencies	64,895	91,248
Other	27,770	6,066
Provision for European Commission investigation (2)	<u>11,349</u>	<u>10,865</u>
Total other provisions, non-current	<u>1,122,247</u>	<u>1,306,872</u>
Total other provisions (3)	<u><u>1,150,103</u></u>	<u><u>1,366,446</u></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, except for the fair value by application of IFRS 3 business combination, in which case the recognition is in the State of Financial Position in the heading of Goodwill.

- (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, 2013, and at December 31, 2012, 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.

The movement of provisions between January 1, 2012 and December 31, 2013 is as follows:

	Legal claims	European Commission Investigation(**)	Total
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2012	19,073	10,675	29,748
Increase in provisions	30,399	-	30,399
Provision used (*)	(131,136)	-	(131,136)
Additions due to business combination	1,429,012	-	1,429,012
Subsidiaries conversion difference	8,391	-	8,391
Reversal of provisions	(449)	-	(449)
Exchange difference	291	190	481
Closing balance as of December 31, 2012	<u>1,355,581</u>	<u>10,865</u>	<u>1,366,446</u>
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)
Reversal of provision	(53,459)	-	(53,459)
Subsidiaries conversion difference	(170,452)	-	(170,452)
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>

(\*) The judicial deposit in guarantee, related to the Fundo Aeroviário (FA), in the amount of ThUS\$ 102, 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. 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.

(\*\*) 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 a 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 a 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 Airline 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 Airline 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 Airline Group S.A.. This is a minor fine in comparison to the original decision, as there was a significant reduction in fine because LATAM Airline Group S.A. cooperated during the investigation.

(d) On January 24, 2011, LATAM Airline Group S.A. and Lan Cargo S.A. appealed the decision before the Court of Justice of the European Union. At December 31, 2013, the provision reached the amount of ThUS\$ 11,349 (ThUS\$ 10,865 at December 31, 2012).

## NOTE 24 - TAX LIABILITIES

The composition of Tax liabilities is as follow:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Current		
Income tax provision	9,919	13,152
Additional tax provision	<u>1,664</u>	<u>1,360</u>
Total current	<u><u>11,583</u></u>	<u><u>14,512</u></u>

## NOTE 25 - OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities as of December 31, 2013 and December 31, 2012 are as follows:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
<b>Current</b>		
Deferred revenues (*)	2,739,125	2,360,151
Sales tax	52,576	47,122
Retentions	49,355	45,413
Others taxes	12,294	8,434
Dividends payable	275	4,023
Other sundry liabilities	<u>18,015</u>	<u>20,744</u>
Total other non-financial liabilities, current	<u>2,871,640</u>	<u>2,485,887</u>
<b>Non-current</b>		
Deferred revenues (*)	77,513	99,261
Other sundry liabilities	<u>54</u>	<u>62</u>
Total other non-financial liabilities, non-current	<u>77,567</u>	<u>99,323</u>
Total other non-financial liabilities	<u><u>2,949,207</u></u>	<u><u>2,585,210</u></u>

(\*) Note 2.20.

The balance comprises, among other, 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, through the accumulation of kilometers that can be exchanged for tickets to fly free or for 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 people who travel constantly, created the program TAM Fidelidade, in order to improve care and give recognition to those who choose the company. Through the program, customers accumulate points in a variety of programs loyalty in a single account and can redeem them at all TAM destinations and companies airline partners, and even more, participate in the Red Multiplus Fidelidade.

Multiplus is a coalition of loyalty program, with the aim of operating activities accumulation and redemption of points TAM Fidelidade. 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 26 - EMPLOYEE BENEFITS

Liability for employee benefits as of December 31, 2013 and December 31, 2012, respectively, are as follows:

	As of December 31, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
Pension payments	9,639	32,323
Termination payments	493	240
Other obligations	<u>35,534</u>	<u>5,532</u>
Total liability for employee benefits	<u><u>45,666</u></u>	<u><u>38,095</u></u>

(a) The movement in Pension and termination payments and other obligations between January 1, 2012 and December 31, 2013 is as follows:

	<u>ThUS\$</u>
Opening balance as of January 1, 2012	13,132
Increase (decrease) current service provision	25,003
Benefits paid	<u>(40)</u>
Closing balance as of December 31, 2012	<u><u>38,095</u></u>
Opening balance as of January 1, 2013	38,095
Increase (decrease) current service provision	9,866
Benefits paid	<u>(2,295)</u>
Closing balance as of December 31, 2013	<u><u>45,666</u></u>

(b) The liability for short-term benefits as of December 31, 2013 and December 31, 2012 respectively, is detailed below:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Profit-sharing and bonuses (*)	<u>110,147</u>	<u>70,625</u>

(\*) Accounts payables to employees (Note 22 letter b)

The participation in profits and bonuses corresponds to an annual incentives plan for achievement of objectives.

(c) Employment expenses are detailed below:

	For the periods ended December 31,	
	<u>2013</u> ThUS\$	<u>2012</u> ThUS\$
Salaries and wages	1,720,513	1,296,101
Short-term employee benefits	452,158	397,824
Termination benefits	67,508	32,864
Other personnel expenses	252,590	182,126
Total	<u>2,492,769</u>	<u>1,908,915</u>

## NOTE 27 - ACCOUNTS PAYABLE, NON-CURRENT

Non-current accounts payable as of December 31, 2013 and December 31, 2012 are as follows:

	As of December 31, 2013 ThUS\$	As of December 31, 2012 ThUS\$
Aircraft and engine maintenance	663,837	685,441
Tax recovery program (*)	176,666	207,089
Fleet financing (JOL)	57,997	140,769
Provision for vacations and bonuses	9,879	9,954
Other accounts payable (**)	2,654	26,354
Other sundry liabilities	11,854	15,994
Total accounts payable, non-current	<u>922,887</u>	<u>1,085,601</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.

(\*\*) Agreement entitled "Plea Agreement" with the Department of Justice of United States of America; its short-term part is in Trade and other payable. See details in Note 23.

## NOTE 28 - 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, 2013 amounts to ThUS\$ 2,389,384 divided into 535,243,229 common stock of a same series (ThUS\$ 1,501,018, divided into 479,098,052 shares as of December 31, 2012), 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

## (b.1) At December 31, 2013:

The total number of ordinary shares authorized stands at 551,847,819 shares with no par value, in accordance with the increase in equity approved at the Extraordinary Shareholders' Meeting held on June 11, 2013 issuing 63,500,000 ordinary shares with no par value. As of the close of this period, 400,124,163 are fully paid up and 135,119,066 were subject to exchange for shares in the companies Sister Holdco S.A. and Holdco II S.A. Totaling 535,243,229 shares fully paid.

As reported by Essential Matter dated on April 30, 2013, on that date the Board approved an Extraordinary Shareholders' Meeting to be held on June 11, 2013, to address matters including the following:

1. To increase corporate equity by the amount of US\$ 1,000,000,000 (one billion United States Dollars), with the objective of financing part of the investment plan for upcoming years, particularly requirements for fleet renewal and growth, and to strengthen the company's financial position, through the issuance of a number of ordinary shares with no par value, as determined at the meeting;
2. To destine a part of said new capital to compensation plans, under the terms specified in Article 24 of Law 18,046, the Corporations Law;
3. To set the price, manner, time, and procedure for the placement of the shares issued relating to this increase in equity; or to delegate to the Board the faculty of determining the price, manner, time, and procedure, and other conditions for the placement of said shares, including but not limited to setting the terms and conditions of the company's compensation plans.

On June 20, 2013, information was presented to the Superintendency of Securities and Insurance in order to request the registration of the share issuance approved at the aforementioned Extraordinary Shareholders' Meeting. On July 22, 2013 the Superintendency of Securities and Insurance remitted the Company providing comments for said registration by Deed No. 16,141. The Company replied to these submissions on October 16, 2013.

Finally, on November 11, 2013, the Superintendency of Securities and Insurance issued the certificate that approved the registration of that issuance under the number 987. On November 20, 2013, began the preferential subscription period of the 62,000,000 shares not destined for the above compensation plans, settling the price that these shares would be offered to shareholders in US\$ 15,17. On December 19, 2013, ended the preferential subscription period, have been subscribed and paid the total of 51,695,410 shares and collected the equivalent of ThUS\$ 784,219, the unsubscribed remainder of 10,304,590 shares shall be offered and placed on the general market.

(b.2) At December 31, 2012:

The total number of ordinary shares authorized stands at 488,355,791 shares with no par value, in accordance with the increase in equity approved at the Extraordinary Shareholders' Meeting held on December 21, 2011 issuing 147,355,882 ordinary shares with no par value. Of this increase, 142,555,882 shares, were destined to the merge with Sister Holdco S.A. and Holdco II S.A. 4,800,000 shares, were destined to compensation plans for employees of the Company and its subsidiaries. As of the close of this period, 343,978,986 shares are fully paid and 135,119,066 were subject to exchange for shares in the companies Sister Holdco S.A. and Holdco II S.A., totaling 479,098,052 shares fully paid.

As reported by Essential Matter dated June 28, 2012, the Board agreed to submit to the approval of shareholders of the Company that the remaining 7,436,816 shares that were not used in the exchange, not be used for the purpose of creating and implementing a compensation plan for employees of the Company and its subsidiaries, as provided in Article 24 of the Corporations Law, but instead preferably intended to be offered to shareholders of LATAM Airlines Group S.A., according to article 25 of the Corporation Law.

According to the information through Essential Matter dated August 3, 2012, to this date, the Board agreed to call Extraordinary Shareholders Meeting to discuss, among other matters, that the referred 7,436,816 shares were intended to be offered preferentially to shareholders of the Company and the balance not subscribed, was offered and placed on the market in general. The aforementioned Extraordinary Shareholders Meeting held on September 4, 2012, agreed, among other matters, the approval of the remaining 7,436,816 shares of total 142,555,882 shares issued under the authorization of the Extraordinary Shareholders Meeting dated December 21, 2011, and were not to be exchanged for shares of the Sister Holdco S.A. and Holdco II S.A., were intended to be offered preferably between the LATAM shareholders under Article 25 of the Corporations Law and that the unsubscribed balance, would be offered and placed on the market in general.

The re-destination and placement of those shares was approved by the Superintendency of Securities and Insurance, dated December 11, 2012. On December 20, 2012, the Board of Directors agreed to start, from December 21, 2012, the period of preferred option of those shares, proceeded to fix the price of placing them, which was reported to the Superintendency of Securities and Insurance by Essential Matter on the same date. At the end of the period of first refusal, that is, to January 19, 2013, were 6,857,190 shares subscribed and paid the said remnant, leaving a balance of

579,626 shares to be subscribed. This balance was auctioned on the Santiago Stock Exchange - Stock Exchange dated January 23, 2013 at a value of CLP\$ 11,921 per share.

The following table shows the movement of the authorized and fully paid shares described above between January 1, 2012 and December 31, 2013.

Movement of authorized shares	Nro. Of shares			
Autorized shares as of January 1, 2012	488,355,882			
Increase capital option closing year 2007 options over canceled shares	<u>(91)</u>			
Authorized shares as of December 31, 2012	<u>488,355,791</u>			
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>			
Movement fully paid shares		Movement value of shares (*)	Cost of issuance and placement of shares (**)	Paid- in Capital
	N° of shares	ThUS\$	ThUS\$	ThUS\$
Paid shares as of January 1, 2012	340,326,431	476,579	(2,672)	473,907
Exercise stock options increase capital 2007	673,478	10,226	-	10,226
Exchange of shares for merger Companies Sister Holdco S.A and Holdco II S.A.	135,119,066	951,409	-	951,409
Capitalization of reserves	-	-	(3,510)	(3,510)
Placement of the remaining preferential shares issued for merger Companies Sister Holdco S.A. y Holdco II S.A.	<u>2,979,077</u>	<u>68,986</u>	<u>-</u>	<u>68,986</u>
Paid shares as of December 31, 2012	<u>479,098,052</u>	<u>1,507,200</u>	<u>(6,182)</u>	<u>1,501,018</u>
Paid shares as of January 1, 2013	479,098,052	1,507,200	(6,182)	1,501,018
Placement of the remaining preferred shares issued for merger with Companies Sister Holdco S.A. y Holdco II S.A.	4,457,739	104,351	-	104,351
Full right decrease of treasury stock	(7,972)	(25)	-	(25)
Capitalization of reserves	-	-	(179)	(179)
Preferential placement capital increase approved at Extraordinary Shareholders meeting dated June 11, 2013	<u>51,695,410</u>	<u>784,219</u>	<u>-</u>	<u>784,219</u>
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>

(\*) Amounts reported represent only those arising from the payment of the shares subscribed.

(\*\*) 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.

## (c) Treasury stock

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.

At December 31, 2012, the total subscribed and paid shares of the company acquired 7,972 shares, shareholders who exercised the right to withdraw an amount of US\$203.

## (d) Reserve of share-based payments

The movement of Reserves of share-based payments between January 1, 2012 and December 31, 2013, is as follows:

	Reserve of share - based payments
	<u>ThUS\$</u>
Opening balance as of January 1, 2012	7,130
Stock option plan	(1,299)
Deferred tax	<u>(257)</u>
Closing balance as of December 31, 2012	<u>5,574</u>
Opening balance as of January 1, 2013	5,574
Stock option plan	18,877
Deferred tax	<u>(3,440)</u>
Closing balance as of December 31, 2013	<u>21,011</u>

These reserves are related to the "Share-based payments" explained in Note 38.

## (e) Other sundry reserves

The movement of Other sundry reserves between January 1, 2012 and December 31, 2013, is as follows:

	Other sundry reserves <u>ThUS\$</u>
Opening balance as of January 1, 2012	1,362
Transactions with non-controlling interest	(1,604)
Cost of issuance and placement of shares (1)	(3,510)
Capitalization share issuance and placement cost (1)	3,510
Higher value for TAM S.A. share exchange	2,665,692
Legal reserves	<u>1,232</u>
Closing balance as of December 31, 2012	<u><u>2,666,682</u></u>
Opening balance as of January 1, 2013	2,666,682
Transactions with non-controlling interest	(1,950)
Cost of issuance and placement of shares (2)	(5,443)
Capitalization share issuance and placement cost (2)	179
Legal reserves	<u>(1,668)</u>
Closing balance as of December 31, 2013	<u><u>2,657,800</u></u>

- (1) The costs of issuance and placement of shares recognized in reserves during the first half of 2012 were capitalized during the month of September 2012, according to the Extraordinary Meeting of Shareholders held on September 4, 2012.
- (2) The costs incurred through the issuance and placement correspond to ThUS\$ 5,264 and ThUS\$179 corresponding at increase of capital according to the Extraordinary Meeting of Shareholders held on June 11, 2013 and at the remaining 7,436,816 shares, not used in this exchange, reallocated as agreed at the Extraordinary Shareholders' Meeting held on September 4, 2012, The cost of ThUS\$ 179, were capitalized during June 2013, according to the Extraordinary Shareholders' Meeting held on June 11, 2013.

## (e.1) Other sundry reserves

The balance of Other sundry reserves comprises the following:

	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</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)	(5,355)	(3,405)
Cost of issuance and placement of shares	(5,264)	-
Others	<u>107</u>	<u>1,775</u>
Total	<u><u>2,657,800</u></u>	<u><u>2,666,682</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, 2013, correspond to the loss generated by the participation by Lan Pax Group S.A. in the acquisition of shares of Aerovías de Integración Regional Aires of ThUS\$ (1,065), the acquisition of TAM S.A. of the minority holding of Aerolíneas Brasileiras S.A. of ThUS(885) and accumulated losses from transactions with minority shareholders of ThUS\$ (3,405) at December 31, 2012. The corresponding accumulated losses of ThUS\$ (2,422) in Lan Pax Group S.A. for increases of capital held by Aerovías de Integración Regional Aires S.A. and the accumulated losses of ThUS\$ (983) Lan Cargo Inversiones S.A. for the capital increase made by Línea Aérea Carguera de Colombia S.A.

## (f) Reserves with effect in other comprehensive income.

The movement of Reserves with effect in other comprehensive income between January 1, 2012 and December 31, 2013 is as follows:

	Currency translation reserve	Cash flow hedging reserve	Total
	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2012	(13,317)	(140,556)	(153,873)
Derivatives valuation gains (losses)	-	5,003	5,003
Deferred tax	(2,727)	(5,177)	(7,904)
Conversion difference subsidiaries	19,618	-	19,618
Closing balance as of December 31, 2012	<u>3,574</u>	<u>(140,730)</u>	<u>(137,156)</u>
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)
Conversion difference subsidiaries	(593,565)	-	(593,565)
Closing balance as of December 31, 2013	<u>(589,991)</u>	<u>(34,508)</u>	<u>(624,499)</u>

## (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

The movement of Retained earnings between January 1, 2012 and December 31, 2013, is as follows:

	ThUS\$
Opening balance as of January 1, 2012	1,116,798
Result for the period	(19,076)
Other increase (decreases)	163
Dividends	(21,749)
Closing balance as of December 31, 2012	<u>1,076,136</u>
Opening balance as of January 1, 2013	1,076,136
Result for the period	(281,114)
Other increase (decreases)	281
Closing balance as of December 31, 2013	<u>795,303</u>

## (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

As of December 31, 2012

Description of dividend	Final dividend 2011	Minimum mandatory dividend 2012
Date of dividend	04-26-2012	12-31-2012
Amount of the dividend (ThUS\$)	18,462	3,287
Number of shares among which the dividend is distributed	340,999,909	479,098,052
Dividend per share (US\$)	0.05414	0.00686

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, 2013, mandatory minimum dividend was not applicable; therefore no provision was made for.

## NOTE 29 - REVENUE

The detail of revenues is as follows:

	For the periods ended December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Passengers	11,061,557	7,966,846
Cargo	<u>1,862,980</u>	<u>1,743,526</u>
Total	<u><u>12,924,537</u></u>	<u><u>9,710,372</u></u>

## NOTE 30 - 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>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Other rentals and landing fees	1,373,061	1,048,342
Aircraft fuel	4,414,249	3,434,569
Comissions	408,671	308,941
Other operating expenses	1,644,827	1,316,095
Aircraft rentals	441,077	313,038
Aircraft maintenance	477,086	297,618
Passenger services	331,405	239,848
Total	<u>9,090,376</u>	<u>6,958,451</u>

## (b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Depreciation (*)	985,317	739,973
Amortization	56,416	31,140
Total	<u>1,041,733</u>	<u>771,113</u>

(\*) Includes 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, 2013 is ThUS\$396,974 (ThUS\$315,206 at December 31, 2012).

## (c) Personnel expenses

The costs for personnel expenses are disclosed in Liability for employee benefits (See Note 26).

## (d) Financial costs

The detail of financial costs is as follows:

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Bank loan interest	382,969	185,013
Financial leases	76,343	44,717
Other financial instruments	3,212	64,868
Total	<u>462,524</u>	<u>294,598</u>

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 26, 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.

NOTE 31 - GAINS (LOSSES) ON THE SALE OF NON-CURRENT ASSETS NOT CLASSIFIED AS HELD FOR SALE

The Gains (losses) on sales of non-current assets not classified as held for sale as of December 31, 2013, and 2012 are as follows:

	For the periods ended December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Property, plant and equipment	<u>2,545</u>	<u>(2,836)</u>
Total	<u><u>2,545</u></u>	<u><u>(2,836)</u></u>

## NOTE 32 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the periods ended	
	December 31,	
	<u>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Duty free	14,748	17,463
Aircraft leasing	36,614	28,863
Customs and warehousing	24,281	24,537
Tours	105,449	74,226
Maintenance	12,392	5,358
Multiplus	68,925	26,696
Other miscellaneous income	79,156	43,013
Total	<u>341,565</u>	<u>220,156</u>

## NOTE 33 - 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 latter due to business combinations with TAM S.A. and Subsidiaries.

The functional currency is defined primarily as the currency of the primary economic environment in which an entity operates in each state 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>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Cash and cash equivalents	538,213	337,223
Argentine peso	41,092	68,705
Brazilian real	3,683	3,308
Chilean peso	229,913	40,091
Colombian peso	5,254	671
Euro	16,571	15,502
U.S. dollar	44,656	94,035
Strong bolivar	162,809	51,346
Other currency	34,235	63,565
Other financial assets	51,082	30,936
Argentine peso	885	-
Brazilian real	-	2,167
Chilean peso	25,854	550
Colombian peso	2,039	2,147
Euro	6	8
U.S. dollar	22,035	18,020
Strong bolivar	14	601
Other currency	249	7,443

<u>Current assets</u>	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Other non - financial assets	56,218	53,493
Argentine peso	5,310	3,740
Brazilian real	846	10,037
Chilean peso	16,846	15,310
Colombian peso	1,011	909
Euro	3,052	4,598
U.S. dollar	2,221	1,649
Strong bolivar	102	351
Other currency	26,830	16,899
Trade and other accounts receivable	417,775	503,601
Argentine peso	11,387	9,441
Brazilian real	19,986	33,313
Chilean peso	80,461	130,736
Colombian peso	2,240	3,153
Euro	21,479	67,287
U.S. dollar	114,372	166,758
Strong bolivar	2,353	2,759
Other currency	165,497	90,154
Accounts receivable from related entities	466	14,565
Chilean peso	466	14,565
Tax assets	14,836	11,060
Brazilian real	-	716
Chilean peso	3,398	9,454
Colombian peso	787	15
Euro	35	20
U.S. dollar	515	-
Other currency	10,101	855
Total assets	1,078,590	950,878
Argentine peso	58,674	81,886
Brazilian real	24,515	49,541
Chilean peso	356,938	210,706
Colombian peso	11,331	6,895
Euro	41,143	87,415
U.S. Dollar	183,799	280,462
Strong bolivar	165,278	55,057
Other currency	236,912	178,916

<u>Non-current assets</u>	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Other financial assets	17,517	31,329
Argentine peso	24	8
Brazilian real	597	3,505
Chilean peso	1,701	98
Colombian peso	254	524
Euro	5,488	7,817
U.S. dollar	8,625	15,895
Other currency	828	3,482
Other non - financial assets	18,006	22,063
Other currency	18,006	22,063
Accounts receivable	13,429	14,812
Chilean peso	8,227	9,564
U.S. dollar	5,000	5,000
Other currency	202	248
Deferred tax assets	4,460	4,203
U.S. dollar	2,056	-
Other currency	2,404	4,203
Total assets	53,412	72,407
Argentine peso	24	8
Brazilian real	597	3,505
Chilean peso	9,928	9,662
Colombian peso	254	524
Euro	5,488	7,817
U.S. dollar	15,681	20,895
Other currency	21,440	29,996

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, <u>2013</u>	December 31, <u>2012</u>	December 31, <u>2013</u>	December 31, <u>2012</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other financial liabilities	303,626	241,473	561,428	589,105
Chilean peso	53,619	-	46,772	-
Euro	824	602	1,205	35
U.S. dollar	249,183	240,871	513,451	589,070
Trade and other accounts payables	679,769	899,536	20,676	19,850
Argentine peso	31,603	21,398	-	-
Brazilian real	9,671	38,506	8	8
Chilean peso	29,560	72,643	11,975	11,938
Colombian peso	14,445	29,268	422	-
Euro	19,373	38,540	3,316	1,695
U.S. dollar	433,377	283,003	4,902	6,157
Strong bolivar	4,024	2,710	-	-
Other currency	137,716	413,468	53	52
Accounts payable to related entities	318	14	-	-
Chilean peso	14	14	-	-
U.S. dollar	304	-	-	-
Tax liabilities	134	302	-	-
Chilean peso	4	21	-	-
Colombian peso	-	150	-	-
Other currency	130	131	-	-

<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, <u>2013</u>	December 31, <u>2012</u>	December 31, <u>2013</u>	December 31, <u>2012</u>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Other non-financial liabilities	76,040	14,337	72	13
Argentine peso	10,710	2,125	-	-
Brazilian real	3,746	3,023	52	10
Chilean peso	37,227	3,478	19	2
Colombian peso	6,069	50	-	-
Euro	8,382	3,261	-	-
U.S. dollar	1,272	325	-	-
Strong bolivar	637	1,211	-	-
Other currency	7,997	864	1	1
Total liabilities	1,059,887	1,155,662	582,176	608,968
Argentine peso	42,313	23,523	-	-
Brazilian real	13,417	41,529	60	18
Chilean peso	120,424	76,156	58,766	11,940
Colombian peso	20,514	29,468	422	-
Euro	28,579	42,403	4,521	1,730
U.S. dollar	684,136	524,199	518,353	595,227
Strong bolivar	4,661	3,921	-	-
Other currency	145,843	414,463	54	53

<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					
	December 31, 2013 ThUS\$	December 31, 2012 ThUS\$	December 31, 2013 ThUS\$	December 31, 2012 ThUS\$	December 31, 2013 ThUS\$	December 31, 2012 ThUS\$
Other financial liabilities	578,393	623,828	754,256	859,526	1,366,860	1,811,660
Chilean peso	122,780	-	80,528	-	-	-
Euro	-	1,148	-	-	-	-
U.S. dollar	455,613	622,680	673,728	859,526	1,366,860	1,811,660
Accounts payable	647,880	667,582	641	138	11	-
Chilean peso	7,187	8,286	641	138	11	-
U.S. dollar	639,204	657,998	-	-	-	-
Other currency	1,489	1,298	-	-	-	-
Other provisions	11,929	16,187	-	-	-	-
Argentine peso	410	664	-	-	-	-
Brazilian real	146	808	-	-	-	-
Chilean peso	-	36	-	-	-	-
Euro	11,349	10,865	-	-	-	-
U.S. dollar	24	-	-	-	-	-
Other currency	-	3,814	-	-	-	-
Provisions for employees benefits	636	86	-	-	-	-
U.S. dollar	636	86	-	-	-	-
Total non-current liabilities	1,238,838	1,307,683	754,897	859,664	1,366,871	1,811,660
Argentine peso	410	664	-	-	-	-
Brazilian real	146	808	-	-	-	-
Chilean peso	129,967	8,322	81,169	138	11	-
Euro	11,349	12,013	-	-	-	-
U.S. dollar	1,095,477	1,280,764	673,728	859,526	1,366,860	1,811,660
Other currency	1,489	5,112	-	-	-	-

General summary of foreign currency:	As of December 31, <u>2013</u> ThUS\$	As of December 31, <u>2012</u> ThUS\$
Total assets	1,132,002	1,023,285
Argentine peso	58,698	81,894
Brazilian real	25,112	53,046
Chilean peso	366,866	220,368
Colombian peso	11,585	7,419
Euro	46,631	95,232
U.S. dollar	199,480	301,357
Strong bolivar	165,278	55,057
Other currency	258,352	208,912
Total liabilities	5,002,669	5,743,637
Argentine peso	42,723	24,187
Brazilian real	13,623	42,355
Chilean peso	390,337	96,556
Colombian peso	20,936	29,468
Euro	44,449	56,146
U.S. dollar	4,338,554	5,071,376
Strong bolivar	4,661	3,921
Other currency	147,386	419,628
Net position		
Argentine peso	15,975	57,707
Brazilian real	11,489	10,691
Chilean peso	(23,471)	123,812
Colombian peso	(9,351)	(22,049)
Euro	2,182	39,086
U.S. dollar	(4,139,074)	(4,770,019)
Strong bolivar	160,617	51,136
Other currency	110,966	(210,716)

## 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, 2013 and 2012, generated a loss of ThUS\$ 482,174 and a gain of ThUS\$ 66,685, respectively.

Exchange differences recognized in equity as reserves for currency translation differences for the period ended December 31, 2013 and 2012, represented a loss of ThUS\$ 629,858 and a gain of ThUS\$ 19,170, respectively.

The following shows the current exchange rates for the U.S. dollar, on the dates indicated:

	As of December 31, <u>2013</u>	As of December 31, <u>2012</u>
Argentine peso	6.52	4.91
Brazilian real	2.36	2.04
Chilean peso	524.61	479.96
Colombian peso	1,925.52	1,760.00
Euro	0.72	0.76
Strong bolivar	6.30	4.30
Australian dollar	1.12	0.96
Boliviano	6.86	6.86
Mexican peso	13.07	12.99
New Zealand dollar	1.22	1.22
Peruvian Sol	2.80	2.55
Uruguayan peso	21.49	19.05

## NOTE 34 - EARNINGS PER SHARE

	For the periods ended December 31,	
	2013	2012
Basic earnings		
Earnings attributable to controlling company's equity holders (ThUS\$)	(281,114)	(19,076)
Weighted average number of shares, basic	487,930,977	412,267,624
Basic earnings per share (US\$)	(0.57613)	(0.04627)
	For the periods ended December 31,	
	2013	2012
Diluted earnings		
Earnings attributable to controlling company's equity holders (ThUS\$)	(281,114)	(19,076)
Weighted average number of shares, basic	487,930,977	412,267,624
Weighted average number of shares, diluted	487,930,977	412,267,624
Diluted earnings per share (US\$)	(0.57613)	(0.04627)

## NOTE 35 – 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</u> ThUS\$
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 29th, 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 the 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, 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, 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\$
Aerotransportes Mas de Carga S.A.	Federal Court of Fiscal and Administrative Justice.	31698/11-17-01-8	Nullity trial against the tax authority's refusal to restore balance in favor of VAT.	Pleadings stage.	4,900
Aerolane Lineas Aéreas Nacionales del Ecuador S.A.	2nd District Court Guayaquil.	09504-2010-0114	Order Determining the Value Added Tax (VAT) 2006.	The Ruling was adverse to the Company. On November 15, 2013, the Company proposed extraordinary appeal. Which has been accepted for consideration by the Fourth Chamber of the District Court No. 2 Contencios Tax Guayaquil.	4,565
Aerolane Lineas Aéreas Nacionales del Ecuador S.A.	Tribunal Fiscal de Guayaquil.	6319-4064-05	Judicial proceedings against the Regional Director of the Internal Revenue Services Guayaquil, for overpayment of taxes.	Tax Litigation Division of the National Court accepts appeal of IRS. Extraordinary Action Protection for the Constitutional Court.	4,210 Plus interest
Aerolane Lineas Aéreas Nacionales del Ecuador S.A.	Internal Revenue Service.	17502-2012-0082	Determination Act for 2006 Income Tax, which have unknown CEDT requesting certification of branch expenses, ARC commissions without Withholding of Income Tax, etc. Process initiated in 2012.	Sentence pending. Appeal for Review.	8,064
Aerolane Lineas Aéreas Nacionales del Ecuador S.A.	Internal Revenue Service.	1720130100068	IR Determination Act of 2008. Glosses are caused by lack of supports in rebills, audit certificates, no withholdings on commissions, and lack of means of payment. Unaware exempt income because the federal return is not translated into Spanish.	On October 9, 2013, the IRS confirmed the contents of Determination Act. On November 11, 2013, the Company filed a motion for review. Now awaiting resolution.	6,047 (income tax 5,039; surcharge 20% 1,008)

<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 Chamber.	36337/13	ORSNA Resolution No. 123 which directs Lan Argentina to vacate the hangar located in the Metropolitan Airport.	ORSNA appealed the injunction that ordered to rescind the eviction. Lan Argentina filed suit against Resolution No. 123 of ORSNA. On December 23, 2013, the Second Division of the National Court of Appeals in Federal Administrative Matters confirmed the injunction decided in First Instance in favor of Lan Argentina S.A., being suspended eviction order formalized by ORSNA respect Aeroparque Jorge Newbery hangar.	Undetermined
Tam Linhas Aéreas S.A	Wollerau Switzerland.	Court -	Claim the amount withheld by TOP AIR AGENCY AG (GSA in Switzerland, Austria, Norway, Denmark and Eastern Europe) after completion of the GSA contract with TAM in 2008.	Filed suit in November 2013 in the Swiss court to recover the amount that arbitration in Switzerland in May 2011 recognized that corresponds to TAM.	1,747

## (ii) Trials 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 for possible violations of airline competition freighters, especially fuel surcharge. On December 26, 2007, the Directorate General for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. of a case against twenty-five cargo airlines, including Lan Cargo S.A., for possible violations of free competition in the European air cargo market, especially the alleged fixing a fuel surcharge and freight. On November 9, 2010, the Directorate General 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\$ 11,349. This penalty is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. The outcome of this appeal cannot be predicted.	On April 14, 2008, the notification of the European Commission was answered. The appeal was filed on January 24, 2011.	11,349
Lan Cargo S.A. y LATAM Airlines Group S.A.	In the High Court of Justice Chancery Division (Inglaterra) and DirectieJuridischeZake nAfdelingCeveilRecht (Netherlands).	-	Lawsuits filed against European airlines by users of freight services in private prosecutions as a result of the investigation for possible violations of airline competition freighters, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A. have been sued in court proceedings as third parties, based in England and the Netherlands.	Case is in evidence discovery process.	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.	-	Investigation for possible violations of airline competition freighters, especially fuel surcharge.	On September 3, 2013, CADE's decision was published in the Diario da Uniao confirming the sentencing of violation and imposition of fines to ABSA for the amount of ThUS\$51,020. This fine will be appealed by ABSA. In turn CADE fined also a current director of ABSA and two former officials for the respective amounts of ThUS\$ 971, ThUS\$ 486 and ThUS\$ 486. On December 5 was filed application for administrative reconsideration to the CADE. There is also the possibility of further appeal through the judicial process in the courts. We cannot predict the outcome of these appeals process.	51,020
Aerolinhas Brasileiras S.A	Federal Revenue Secretary of Brazil.	10831-005.704/2006-43	Collection of import taxes and penalties owed to the verification of declared loss volumes and allegedly transported the country. The Administrative Court of São Paulo started collection of PIS and COFINS, keeping only the debts related to II, IPI and the 50% penalty in the second.	DRJ performed collection of PIS and COFINS, keeping only the debts related to II, IPI and the 50% penalty in the second. Awaiting trial by CARF.	9,391
Aerolinhas Brasileiras S.A	Federal Revenue Secretary of Brazil.	10831-008.687/2006-04	Collection of import taxes and fines due to the determination of charge storage when end of manifest information.	On 12/08/2010 CARF dismissed the Voluntary Action. Filed an extraordinary appeal, which is pending trial.	5,122

<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.	Tenth Civil Court of Santiago.	-	The company Jara&Jara Limited sues LATAM Airlines Group S.A. based on the damage they have caused due to the criminal complaints filed for the crime of fraud against them in 2008, which were dismissed for good. They claim that the damage caused by LATAM Airlines Group S.A. affected their prestige and business continuity.	First instance.	11,935
Aerolane Lineas Aéreas Nacionales del Ecuador S.A.	Civil Court 20 Pichincha.	374-2012 LA	Passenger demand for misuse by counter agent of credit card.	In discharge step test, hearing in New appearance (for judicial confession)of the legal representative set for February 13, 2014.	5,500
Tam Linhas Aéreas S.A.	Tribunal Regional Federal da 2 da Regiãothe (Court of the Second Region).	2001.51.01.012530-0	Ordinary judicial action brought to declare that there is no legal relationship obligating the Company to raise the Air Fund.	First instance sentence not favorable. Currently awaiting the decision of the appeal filed by the company. To suspend the tax credit application to the Court was delivered by guarantee ThUS\$ 102 which is revealed in more detail in Note 23.	120,460
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	16643.000087/2009-36	Notice of Violation of the requirement to pay the social contribution on net profit ("CSL").	Decisions of first and second administrative instance adverse to the interests of the Company. Currently awaiting the decision of the new action brought by the Company.	30,921
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	10880.725950/2011-05	Compensation claims of social contributions PIS and COFINS.	Court decision was unfavorable to the interests of the company, so it was appealed. At present, pending the trial of the appeal, the Board of Tax Appeals (CARF).	28,426

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Pantanal Linhas Aéreas S.A.	Regional Court of the Third District.	1997.0002503-9	Execution filed to collect tax penalties for breach of special customs regime of temporary admission.	Waiting for the decision of the second instance. Favorable sentence.	5,233
Tam Linhas Aéreas S.A.	6 <sup>th</sup> Public rod of Sao Paulo.	0012938-14.2013.8.26.0053	Judgment proposed to cancel the collection of incident Service Tax on amounts paid to Infraero.	The ruling overturned the injunction previously granted, and granted in part the action proposed by the company. Opposing a motion for clarification, which was rejected. Both parties filed motions, both of which received the double effect (suspension and forwarding). Currently waiting for the referral to the Court of Justice of the State of São Paulo and therefore appeals trial.	14,192
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	16643.000085/2009-47	Auto compound to demand and collection of income tax and detail CSL derived royalties and fees using the mark TAM.	First instance decision unfavorable to the interests of the company. On March 14, 2012, the application of business and voluntary action were judged by CARF, so that was adduced the resource trade to restore the expenditure to the royalties, and partially provided voluntary action of TAM to (i) rescind the compensation for tax losses and (ii) apart calculating the default interest Selic rate effect on the government claim. It, currently expects the ruling on the admissibility of the special appeal filed by the Special Attorney for Finance and the notification of the decision.	13,684

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> <u>ThUS\$</u>
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	10831.012344/2005-55	Infraction II presented to demand payment and social contributions of PIS and COFINS arising from the loss of unidentified international cargo.	Partially favorable decision in the first administrative and supportive in the second instance. However, the upper chamber of the Board of Tax Appeals was to the special appeal filed by the Union. Currently pending resolution of the motion for clarification with the opposition of the company.	11,008
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.123.785-0	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Under the laws of the state of São Paulo, the Administrative Court was to declare the agreement of the matter discussed in the infraction and the related injunction, so the case was referred to the State Attorney and a determination is expected on that demand.	9,553
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.130.043-1	Order of infringement to demand payment of ICMS governing the importation of aircraft.	On June 4, 2013, the decision was issued denying the special appeal filed by the company. Currently, waiting for the demarcation of the court order regarding the administrative process.	9,187
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo ((Secretary of Finance of the State of Sao Paulo).	3.099.486-0	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Under the laws of the state of São Paulo, the Administrative Court was to declare the agreement of the matter discussed in the infraction and the related injunction, so the case was referred to the State Attorney and a determination is expected on that demand.	6,952

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> <u>ThUS\$</u>
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	11610.001360/2001-56	Application for reimbursement of social security contributions of PIS.	Unfavorable ruling in the first and second administrative instances. Currently expecting fiscal execution ruling.	7,732
Tam Linhas Aéreas S.A.	Secretary of Finance of the State of Sao Paulo (Secretary of Finance of the State of Sao Paulo).	3.117.001-8	Notice of infringement demanding payment of ICMS on imports of aircraft.	Under the laws of the state of São Paulo, the Administrative Court was to declare the agreement of the matter discussed in the infraction and the related injunction, so the case was referred to the State Attorney and a determination is expected on that demand.	7,599
Tam Linhas Aéreas S.A.	Tribunal Regional Federal da 3a Região (Court of the Third Region).	2006.03.00.022504-6	Penalty forcing IRPJ collection in the months of February, March and August 1998.	Pending first instance ruling.	7,036
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.120.286-0	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	6,311
Tam Linhas Aéreas S.A.	Governo do Estado de São Paulo (State Government of Sao Paulo).	990.172	Fiscal Execution to demand payment of ICMS that affects the import of aircraft.	Trial suspended. It now expects the end of main trial.	5,971
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.123.000-3	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	5,749

<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.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	004960-83.2013.8.26.0053	Judgment proposed to cancel the charge and to demand payment of ICMS and fine affects import of aircraft.	Currently awaiting a ruling of first instance.	5,797
Tam Linhas Aéreas S.A.	Internal Revenue Service.	2002.61.19.001123-1	Injunction filed to prevent recovery of IPI on imports of aircraft.	Currently awaiting a ruling on the appeal filed by the Company.	5,540
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	4.002.475-1	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Expected the ruling on impeachment filed by the Company.	5,336
Tam Linhas Aéreas S.A.	6 <sup>th</sup> Public rod of Sao Paulo	0013306-23.2013.8-26.0053	Judgment proposed to cancel the collection of incident Service Tax on amounts received as discount on the go over the shipping rates to Infraero.	Currently awaiting the decision of first instance.	4,907
Tam Linhas Aéreas S.A.	Secretaria da Fazendado Estado da Paraíba (Secretary of Finance of the State of Sao Paulo).	3.019.886-0	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	4,892
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado da Paraíba (Secretary of Finance of the State of Paraíba).	93300008.09.00000883/2009-31	Order of infringement to demand payment of ICMS in particular operations.	Currently awaiting a ruling on the appeal filed by the Company.	4,835

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.123.770-8	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Under the laws of the state of São Paulo, the Administrative Court was to declare the agreement of the matter discussed in the infraction and the related injunction, so the case was referred to the State Attorney and a determination is expected on that demand.	4,814
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.154.701-1	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Expected the ruling on impeachment filed by the Company.	4,708
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.146.575-4	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	4,562
Tam Linhas Aéreas S.A.	Secretaria da Receita Federal (Internal Revenue Service).	10880-676.339/2009-13	Order of infringement to demand payment of IRPJ.	Expected the ruling on impeachment filed by the Company.	4,523
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.146.651-5	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	4,445
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de Goiás (Secretary of Finance of Estado de Goiás).	3032722060291	Order of infringement to demand payment of ICMS in particular operations.	Currently awaiting a ruling on the appeal filed by the Company.	4,218

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> <u>ThUS\$</u>
Tam Linhas Aéreas S.A.	Secretaria da Receita Federal (Internal Revenue Service of Brazil).	16643.000088/2009-81	Order of infringement to demand payment of IRPJ and CSLL.	On November 26, 2013, in order to assert the benefits of art. 40 of Law No. 12865/13, the company applied for exemption and, cumulatively, waived any claim of right on which the appeal is based. At present, pending review of the exemption request.	4,167
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.117.801-7	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	4,139
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.129.987-8	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Procedure suspended. Presently waiting for an end to the main proceedings.	3,899
Tam Linhas Aéreas S.A.	Public Rod of Florianopolis-SC.	023.12.036784-2	Lawsuit filed by InstitutoLiberdade on the product Espaço+.	Currently awaiting convocation of the other companies, for us to answer.	4,269
Tam Linhas Aéreas S.A.	1st Civil Court of the District of Navegantes / SC.	033.03.013110-6 (precautionary) 033.03.014870-0 (ordinary).	Action filed by a former sales representative of TAM demanding compensation for moral and economic damage in consequence of the alleged wrongful termination of contract and unfounded trade representative land freight transport other than agreeing in advance the establishment of protection enforceable court.	We are currently awaiting the evaluation of our objection to the expert report.	3,986

<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.	Tribunal do Trabalho de Porto Alegre - Labor Court of Porto Alegre.	0001611-93.2012.5.04.0013	Civil Action in the Ministry of Labour, which requires the granting of black shoes, belts and socks for employees who wear uniforms.	Process in the first instance, waiting judgment of appeal.	10,375 Approximate value
Tam Linhas Aéreas S.A.	Tribunal do Trabalho de Porto Alegre - Labor Court of Porto Alegre.	0000504-79.2010.5.04.0014	Lawsuit filed by the Union of Aviation Porto Alegre / RS demanding payment for the additional hazard.	Judgment in appeal stage. Final instance.	6,098 Approximate value
Tam Linhas Aéreas S.A.	Labor Justice Salvador / BA - Labor Jurisdiction Salvador / BA.	0000033-78.2011.5.05.0021	Class action by the National Union of Aviation workers, which requires payment of risk bonus for all employees of the SSA base.	Process in the first instance. Awaiting sentencing.	19,083 Approximate value
Tam Linhas Aéreas S.A.	Labor Court Brasilia.	01683.2009.015.10.00.3	Action by the Union Aerovias Brasilia/DF demanding payment of hazard compensation for all maintenance employees.	Process in the last instance. Awaiting the outcome of the appeal.	5,559 Approximate value
Tam Linhas Aéreas S.A.	Secretary of Finance of Sao Paulo.	4.023.832-5	Notice of infraction to demand payment of import tax that rules aircraft.	After the adverse decision in the first instance, the company filed an ordinary appeal. Currently, pending the decision of the appeal before the Administrative Tribunal.	5,501

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed</u> ThUS\$
Aerovias de Integración Regional AIRE S.A.	Florida USA.	2013-20319 CA 01	<p>In July 30, 2012 LAN AIRLINES COLOMBIA initiated legal proceedings in Colombia against regional One Inc. and Volvo Aero Services LLC, in order to declare that these companies are civilly liable for moral and material damages caused to LAN AIRLINES COLOMBIA , arising from breach of contractual obligations of the aircraft HK</p> <p>In June 20, 2013 AIRE SA AND / OR LAN AIRLINES COLOMBIA was notified of the lawsuit filed in the U.S. by INC and Dash regional One 224 LLC for damages caused by the aircraft HK claiming COLOMBIA LAN AIRLINES had the requirement to obtain customs import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.</p>	<p>The process in Colombia is pending resolution of preliminary objections filed by the defendant</p> <p>As for the process in the U.S. Federal Court is deciding whether the process follows on as a court with jurisdiction in Colombia is resolving a parallel demand in Colombia Although continues pending the decision to declare or not without case in the U.S. by the judge, the court has noted a date for trial in August 2014 if the decision is to grant the request to the case in the U.S..</p>	12,443
Tam Linhas Aéreas S.A.	Secretaria da Receita Federal (Internal Revenue Service of Brazil).	10880-926.383/2013-66	Decision of the Internal Revenue Service does not approve compensation made by the company in the application for refund of income tax for 2009.	Pending the result of the dissatisfaction expressed by the company.	6,826
Tam Linhas Aéreas S.A.	Secretaria da Receita Federal (Internal Revenue Service of Brazil).	1720130100068	Notice of infraction to demand tax credit is due, as the company would have improperly excluded amounts paid as interest on own capital for the years 2010 and 2011.	Pending the result of the objection filed by the company.	5,234

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Origin</u>	<u>Stage of trial</u>	<u>Amounts Committed ThUS\$</u>
Tam Linhas Aéreas S.A.	Secretary of Finance of Rio de Janeiro.	03.431129-0	It is an infraction, for which the State of Rio de Janeiro requires the VAT tax credit for purchasing fuel kerosene (jet fuel). According to a report, the auditor notes that there is no legislation in Rio de Janeiro for the appropriation of this credit, so the credit has been rejected and required tribute.	Waiting for the contestation presented by the company.	97,179

In order to deal with any financial obligations arising from legal proceedings outstanding at December 31, 2013, whether civil, labor or tax, LATAM Airlines Group S.A., has made provisions, which are included in heading Other provisions, non-current, which is disclosed in Note 23.

The Company has not disclosed the individual probability of success for each contingency in order to not negatively affect its outcome.

## NOTE 36 - 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 and 787, 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 local banks that indicate some limits on financial indicators of the Company or its subsidiaries.

At December 31, 2013, 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:

<u>Lessor</u>	<u>Aircraft</u>	As of December 31, <u>2013</u>	As of December 31, <u>2012</u>
ACS Aircraft Finance Bermuda Ltd. - Aircastle (WFBN)	Boeing 737	1	1
Air Canada (Sublessor)	Airbus A340	-	1
Airbus Financial Services	Airbus A340	3	2
Aircraft 76B-26261 Inc. (ILFC)	Boeing 767	-	1
Aircraft 76B-26329 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-27613 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-27615 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-28206 Inc. (ILFC)	Boeing 767	1	1
Aircraft Solutions Lux V S.À.R.L. (AVMAX)	Bombardier Dhc8-200	-	1
ALC A319 1703, LLC (*)	Airbus A319	-	1
Aviacion Centaurus, A.I.E (Santander) (*)	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	-
Avolon Aerospace AOE 63 Limited	Boeing 787	1	-
AWAS (SWEDEN TWO) AB (*)	Airbus A320	-	2
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
Celestial Aviation Trading 35 Ltd. (GECAS)	Boeing 767	-	1
CIT Aerospace International	Boeing 767	1	1
CIT Aerospace International (*)	Airbus A319	1	3
CIT Aerospace International (*)	Airbus A320	4	4
Continuity Air Finance IV B.V (BOC) (*)	Airbus A319	1	1
Delaware Trust Company, National Association (CRAFT)	Bombardier Dhc8-200	7	9
Eden Irish Aircr Leasing MSN 1459 (AERCAP) (*)	Airbus A320	1	1
GECAS Sverige Aircraft Leasing Worldwide AB (*)	Airbus A320	10	10

Lessor	Aircraft	As of	As of
		December 31, 2013	December 31, 2012
GECAS Sverige Aircraft Leasing Worldwide AB (*)	Airbus A330	2	2
GFL Aircraft Leasing Netherlands B.V. (GECAS) (*)	Airbus A320	1	1
International Lease Finance Corporation	Boeing 737	1	2
International Lease Finance Corporation	Boeing 767	1	1
International Lease Finance Corporation (*)	Airbus A320	1	1
KN Operating Limited (NAC)	Bombardier Dhc8-400	3	4
MASL Sweden (1) AB (MACQUARIE) (*)	Airbus A320	1	1
MASL Sweden (2) AB (MACQUARIE) (*)	Airbus A320	1	1
MASL Sweden (7) AB (MACQUARIE) (*)	Airbus A320	1	1
MASL Sweden (8) AB (MACQUARIE) (*)	Airbus A320	1	1
MCAP Europe Limited - Mitsubishi (WTC)	Boeing 737	1	1
Orix Aviation Systems Limited	Airbus A320	3	3
Pembroke B737-7006 Leasing Limited	Boeing 737	2	2
RBS Aerospace Limited (*)	Airbus A320	6	6
SKY HIGH V LEASING COMPANY LIMITED (*)	Airbus A320	1	1
Sky High XXIV Leasing Company Limited	Airbus A320	3	-
Sky High XXV Leasing Company Limited	Airbus A320	2	-
Sunflower Aircraft Leasing Limited - AerCap	Airbus A320	2	2
Volito Aviation August 2007 AB (*)	Airbus A320	2	2
Volito Aviation November 2006 AB (*)	Airbus A320	2	2
Volito Brasilien AB (*)	Airbus A319	1	1
Volito November 2006 AB (*)	Airbus A320	2	2
Wells Fargo Bank North National Association (ACG) (*)	Airbus A319	1	1
Wells Fargo Bank North National Association (ACG) (*)	Airbus A320	2	2
Wells Fargo Bank North National Association (BAKER & SPICE) (*)	Airbus A320	-	1
Wells Fargo Bank North National Association (BOC) (*)	Airbus A319	3	3
Wells Fargo Bank North National Association (BOC) (*)	Airbus A320	-	2
Wells Fargo Bank Northwest N.A (AVOLON) (*)	Airbus A320	4	4
Wells Fargo Bank Northwest National Association (ACG) (*)	Airbus A320	2	2
Wells Fargo Bank Northwest National Association (AerCap) (*)	Airbus A330	10	-
Wells Fargo Bank Northwest National Association (BBAM)	Boeing 777	1	-
Wells Fargo Bank Northwest National Association (BBAM)	Boeing 787	1	-
Wells Fargo Bank Northwest National Association (BOC) (*)	Airbus A320	1	1
Wells Fargo Bank Northwest, N.A. (GECAS)	Boeing 767	4	4
Wells Fargo Bank Northwest, N.A. (GECAS)	Boeing 777	2	2
Wilmington Trust Company (ILFC) (*)	Airbus A319	1	1
Yamasa Singapore Pte. Ltd.	Airbus A340	1	-
Zipdell Limited (BBAM) (*)	Airbus A320	1	1
Total		<u>128</u>	<u>123</u>

(\*) The composition of the fleet as operating leases at December 31, 2013, incorporates the effects of business combinations with TAM S.A. and Subsidiaries.

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, 2013 <u>ThUS\$</u>	As of December 31, 2012 <u>ThUS\$</u>
No later than one year	475,762	380,713
Between one and five years	1,101,741	852,659
Over five years	335,019	235,658
Total	<u>1,912,522</u>	<u>1,469,030</u>

The minimum lease payments charged to income are the following:

	For the periods ended December 31,	
	<u>2013</u> <u>ThUS\$</u>	<u>2012</u> <u>ThUS\$</u>
Minimum operating lease payments	<u>441,077</u>	<u>310,496</u>
Total	<u>441,077</u>	<u>310,496</u>

In September 2011, the Company signed a contract to establish the early departure of three Boeing 737-700. The return of these three aircraft was completed during the second quarter of 2012.

During the second quarter of 2012, added three Airbus A320-200 aircraft leased for a period of 8 years. During the third quarter of 2012, it the Company added two Airbus A320-200 aircraft, leased for periods of six and eight years. In addition, two Boeing 767-300 aircraft and two Airbus A320-200 were returned given the end of the lease contract. During the fourth quarter of 2012, were returned four Airbus A320-200 on lease term.

In the first quarter of 2013, it 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 was 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 was leased for a period of 8 years each, one Boeing 787 aircraft was leased for a period of 12 years and two Boeing 777 aircraft were leased for a period of 5 years each. Moreover, one Airbus A320-200, two Boeing 767-300 aircraft and one Bombardier Dhc8-400 aircraft were returned. Additionally, during July of 2013 two Dhc8-200 aircraft were acquired on leasing. In the fourth quarter of 2013, three Airbus A320-200 aircraft was leased for a period of 8 years each, one Boeing 787 aircraft was leased for a period of 12 years. Moreover, two Airbus A320-200, one Airbus A319-100, one Airbus A340-300, one Boeing 737-700 aircraft and one Bombardier Dhc8-400 aircraft were returned.

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, 2013 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 ThUS\$</u>	<u>Release date</u>
AFS Investments 48 LLC.	Lan Cargo S.A.	Two letter of credit	3,500	Jan 25, 2014
Air Canada	LATAM Airlines Group S.A.	One letter of credit	1,800	Jun 30, 2014
CIT Aerospace International	LATAM Airlines Group S.A.	Two letter of credit	3,240	May 13, 2014
GE Capital Aviation Services Limited	LATAM Airlines Group S.A.	Three letter of credit	12,134	Dec 4, 2014
GE Capital Aviation Services Limited	Lan Cargo S.A.	Six letter of credit	17,965	Apr 25, 2014
International Lease Finance Corp	LATAM Airlines Group S.A.	Five letter of credit	2,300	Feb 24, 2014
Orix Aviation System Limited	LATAM Airlines Group S.A.	One letter of credit	3,255	Jul 31, 2014
PB Leasing Aircraft, No 28 (UK) Limited	LATAM Airlines Group S.A.	One letter of credit	3,265	May 5, 2014
TAF Mercury	LATAM Airlines Group S.A.	One letter of credit	4,000	Dec 4, 2014
TAF Venus	LATAM Airlines Group S.A.	One letter of credit	4,000	Dec 4, 2014
Wells Fargo Bank Northwest, National Association	Lan Cargo S.A.	One letter of credit	2,530	Jun 30, 2014
Baker & Spice Aviation Limited	Tam Linhas Aéreas S.A.	Two letter of credit	32,733	Apr 13, 2014
BOC Aviation (USA) Corporation	Tam Linhas Aéreas S.A.	One letter of credit	5,500	Nov 29, 2014
Cit Aerospace International	Tam Linhas Aéreas S.A.	Three letter of credit	15,281	Jan 31, 2014
DVB Group Merchant Bank (Asia) Ltd.	Tam Linhas Aéreas S.A.	One letter of credit	5,500	Dec 4, 2014
PK Airfinance US, Inc.	Tam Linhas Aéreas S.A.	One letter of credit	1,600	Dec 19, 2014
Royal Bank Of scotland Aerospace	Tam Linhas Aéreas S.A.	Twelve letter of credit	5,360	Feb 20, 2014
SMBC Aviation Capital Ltd.	Tam Linhas Aéreas S.A.	One letter of credit	6,262	Feb 28, 2014
Wells Fargo Bank Northwest, National Association	Tam Linhas Aéreas S.A.	Two letter of credit	6,000	Mar 28, 2014
Wilmington Trust SP Services Ltd.	Tam Linhas Aéreas S.A.	Two letter of credit	11,281	Jan 31, 2014
			<u>147,506</u>	

## (c) Other commitments

At December 31, 2013 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>
American Alternative Insurance Corporation	LATAM Airlines Group S.A.	Four letter of credit	2,910	Apr 5, 2014
Citibank N.A.	LATAM Airlines Group S.A.	One letter of credit	9,750	Dec 20, 2014
Comisión Europea	LATAM Airlines Group S.A.	One letter of credit	8,220	Feb 11, 2015
Deutsche Bank A.G.	LATAM Airlines Group S.A.	Three letter of credit	40,000	Jan 1, 2014
Dirección General de Aviación Civil de Chile	LATAM Airlines Group S.A.	Sixty four ticket guarantee	16,917	Mar 31, 2014
Dirección Seccional de Aduanas de Bogotá	Línea Aérea Carguera de Colombia S.A.	Two insurance policies guarantee	3,755	Apr 7, 2014
Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador	LATAM Airlines Group S.A.	One letter of credit	5,500	Jun 21, 2014
Metropolitan Dade County	LATAM Airlines Group S.A.	Five letter of credit	1,675	May 31, 2014
Servicio Nacional de Aduanas	LATAM Airlines Group S.A.	Three letter of credit	1,333	Jun 28, 2014
The Royal Bank of Scotland plc	LATAM Airlines Group S.A.	Two letter of credit	18,000	May 20, 2014
Washington International Insurance	LATAM Airlines Group S.A.	Two letter of credit	2,100	Apr 5, 2014
Westpac Banking Corporation	LATAM Airlines Group S.A.	One letter of credit	1,066	Apr 4, 2014
6ª Vara de Execuções Fiscais Federal de Campo Grande/MS	Tam Linhas Aéreas S.A. (Pantanal)	Two insurance policies guarantee	31,728	Jan 4, 2016
8 Vara da Fazenda Pública da Comarca de São Paulo	Tam Linhas Aéreas S.A. (Pantanal)	One insurance policies guarantee	15,389	Apr 12, 2015
Fundação de Proteção e Defesa do Consumidor Procon	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,837	May 16, 2016
Vara da Fazenda Pública da Comarca de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	3,274	Mar 29, 2016
Vara De Execuções Fiscais Estaduais de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	15,395	Apr 16, 2015
União Federal	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,061	Jul 24, 2015
			<u>179,910</u>	

## NOTE 37 - TRANSACTIONS WITH RELATED PARTIES

## (a) Transactions with related parties for the period ended December 31, 2013

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 ThUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	Investments	Revenue from services provided	CLP	17
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Leases as lessor	CLP	253
					Services received	CLP	(1,186)
					Services received	US\$	(1,146)
65.216.000-k	Comunidad Mujer	Other related parties	Chile	Promotion and training of women	Revenue from services provided	CLP	10
					Services received	CLP	(11)
78.591.370-1	Bethia S.A y filiales	Other related parties	Chile	Investments	Leases as lessor	CLP	(6)
					Revenue from services provided	CLP	2,726
					Services received	CLP	(883)
					Sale of Property plant and equipment (1)	CLP	14,217
79.773.440-3	Transportes San Felipe S.A	Other related parties	Chile	Transport	Revenue from services provided	CLP	17
					Services received	CLP	(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	231
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Revenue from services provided	US\$	9
					Leases as lessor	US\$	(358)
Foreign	Jochmann Participacoes Ltda.	Other related parties	Brazil	Transport	Services received	US\$	(27)
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Other related parties	Brazil	Transport	Revenue from services provided	BRL	485
					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	(499)

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.

## (b) Transactions with related parties for the period ended December 31, 2012

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 ThUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	Investments	Revenue from services provided	CLP	11
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Leases as lessor	CLP	411
					Services received	CLP	(1,101)
					Services received	US\$	(803)
65.216.000-K	Comunidad Mujer	Other related parties	Chile	Promotion and training of women	Revenue from services provided	CLP	13
					Services received	CLP	(13)
78.591.370-1	Bethia S.A. y Filiales	Other related parties	Chile	Investments	Leases as lessor	CLP	741
					Revenue from services provided	CLP	897
					Commitments made on behalf of the entity	CLP	3
					Services received	CLP	(786)
					Sale of Property plant and equipment (1)	CLP	14,217
79.773.440-3	Transportes San Felipe S.A.	Other related parties	Chile	Transport	Services received	CLP	(279)
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Pisciculture	Revenue from services provided	CLP	243
96.812.280-0	San Alberto S.A. y Filiales	Other related parties	Chile	Investments	Services received	US\$	(29)
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Leases as lessee	US\$	(442)
					Liabilities settlement on behalf of the entity for the related party	US\$	11
Foreign	Tadef-Transporte Administração e Participação Ltda.	Other related parties	Brazil	Transport	Services received	US\$	(18)
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Other related parties	Brazil	Transport	Revenue from services provided	BRL	306
					Liabilities settlement on behalf of the entity for the related party	BRL	3
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Other related parties	Brazil	Transport	Services received	BLR	(211)
Foreign	Prismah Fidelidade S.A	Joint Venture	Brazil	Marketig	Liabilities settlement on behalf of the entity for the related party	BLR	419

(1) 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.

Operations corresponding to holders of common stock in TAM S.A. and subsidiaries are included following the date of the business combination, on June 22, 2012.

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.

(c) 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>2013</u>	<u>2012</u>
	ThUS\$	ThUS\$
Remuneration	15,148	15,146
Management fees	368	653
Non-monetary benefits	565	395
Short-term benefits	4,056	5,060
Share-based payments	17,709	1,412
Total	<u>37,846</u>	<u>22,666</u>

## NOTE 38 - 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 from the first quarter of 2013 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 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:

Percentage	Period	
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.	
		Number of share options
Share options in agreements of share- based payments, as of January 1, 2013		-
Share options granted		<u>4,497,000</u>
Share options in agreements of share- based payments, as of December 31, 2013		<u><u>4,497,000</u></u>

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 December 2013 corresponds to ThUS\$ 17,200.

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>
US\$ 23.55	US\$ 24.97	61.52%	3.6 years	0%	0.0055

(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 affiliates, 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, 2013, which amounted to 837,733 shares and 1,082,463 shares, respectively.

TAM Linhas Aéreas S.A.

<u>Description</u>	<u>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>1st Extraordinary Grant</u>	<u>3rd Extraordinary Grant</u>	<u>4th Extraordinary Grant</u>	<u>Total</u>
Date	<u>12-28-2005</u>	<u>11-30-2006</u>	<u>12-14-2007</u>	<u>05-28-2010</u>	<u>09-27-2007</u>	<u>04-01-2010</u>	<u>04-01-2010</u>	
Outstanding option number	<u>-</u>	<u>119,401</u>	<u>259,857</u>	<u>228,475</u>	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>837,733</u>

Multiplus S.A.

<u>Description</u>	<u>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>1st Extraordinary Grant</u>	<u>2nd Extraordinary Grant</u>	<u>3rd Extraordinary Grant</u>	<u>4th Extraordinary Grant</u>	<u>Total</u>
Date	<u>10-04-2010</u>	<u>11-08-2010</u>	<u>04-16-2012</u>	<u>10-04-2010</u>	<u>10-04-2010</u>	<u>10-04-2010</u>	<u>04-16-2012</u>	<u>11-20-2013</u>	
Outstanding option number	<u>11,289</u>	<u>2,245</u>	<u>166,236</u>	<u>334,207</u>	<u>362,911</u>	<u>-</u>	<u>-</u>	<u>205,575</u>	<u>1,082,463</u>

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.

As of December 31, 2013 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.	609,258	228,475
Multiplus S.A.	161,294	921,169

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. The fair value recorded in liabilities at December 31, 2013 is ThUS\$ 1,493 and in income ThUS\$ 509.

## NOTE 39 - 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 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.
- Encourage sustainable tourism as a pillar for the development of the region.

For 2013, we have established three priority areas of work to develop:

1. Implementing an Environmental Management System;
2. Management Carbon Footprint by measuring, verification and compensation of our emissions;
3. Promoting biofuels market development in the region.

Similarly, during 2013, activities were conducted in the following initiatives:

- The environmental management of LATAM was an important part again for maintain recognition as industry leaders in the subgroup of Emerging Markets of Dow Jones Sustainability Index.
- The environmental management of LATAM was recognized by the Carbon Disclosure Project obtaining a classification B80, the highest in Chile and one of the highest in the region.
- Implementation of an Environmental Management System for LAN Airlines and LAN Cargo, and specific to the offices of Miami, USA and Quito, Ecuador;
- The corporation's carbon footprint was externally measured and verified.
- Review the environmental standards demanded at ours suppliers.
- A biofuel study was conducted, including application potential, costs, and benefits.
- Active participation in the project Renewable Bio Chile.
- The first commercial flight with biofuel in Colombia was conducted.
- Spearheaded global discussion on how to regulate CO2 emissions from the international aviation industry, to achieve the commitment of IATA and ICAO respect to advance in a carbon-neutral growth from 2020.

- Compliance was made with European regulations on CO2 emissions, providing compensation to offset flights within the EU during 2012, corresponding to US\$ 32,000.
- Energy efficiency projects were implemented in our operations.

The total amount of the Environmental Division expenses for 2013 is US\$ 427,704 (US\$526,074 during 2012).

## NOTE 40 – EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

## (a) Term capital increase placement 2013

On January 10, 2014 were placed by the procedure of Auction Orders Book, according to the provisions of Section 2.4A of the Operations Manual in Shares by Stock Exchange Santiago, Stock Exchange, and the 10,314,872 cash shares that were not subscribed within the period of first refusal ended December 19, 2013. The placement price was US\$ 15.17, the exchange rate observed dollar published by the Central Bank of Chile in force for Monday January 9, 2014 , equivalent to \$8,072.60 , having raised therefore the equivalent today US\$ 156.5 million, approximately . Thus concluded the process of placing 100 % of 62,000,000 shares for payment of first issue (not include Employee Compensation Plan for the Company and its subsidiaries ) to be placed by the Company under the capital increase approved by the Extraordinary Shareholders' Meeting held on LATAM June 11, 2013 , total revenues of US\$ 940.5 million having been achieved.

LATAM Airlines Group S.A. and Subsidiaries' consolidated financial statements as at December 31, 2013, have been approved by the Board of Director's in an extraordinary meeting held on March 17, 2014.